NEWSPAPER

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Advertising Age

Crain's International Newspaper of Marketing In Two Sections. Section 1.

Last Minute News

Olivetti moves to O&M in Europe

NEW YORK—Ogilvy Group said its agencies won a pan-European account worth $50 million to $55 million in annual billings, identified by sources as Olivetti, an Ivrea, Italy-based office products marketer. Ogilvy & Mather Worldwide will share the account with Scali, McCabe, Sloves. Scali will handle Olivetti in some countries to avoid a conflict with Compaq. Olivetti's current European agencies include McCann-Erickson Worldwide, O&M and WCRS/Belier. O&M and Scali declined comment. Separately, Ogilvy Group stock rose more than $2 a share April 7, closing at $35.25, following a speculative report April 5 in London's *Evening Standard* that said WPP Group would buy the company for $50 a share. More than 774,000 shares were traded last week, including 467,000 on April 7 alone.

Geier compensation tops $5.6M

NEW YORK—Salaries of several top agency executives rose at double-digit rates last year, according to proxy statements released late last week by some publicly held agency groups. Interpublic Group of Cos. Chairman Philip H. Geier Jr. earned cash compensation of $1.65 million, a 17.6% increase, and more than $4 million from

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What's up at Burger King?—P. 2
Film ad war breaks out—P. 6

ABA panel backs FTC over states

By STEVEN W. COLFORD

WASHINGTON—A blue-ribbon committee said Friday that state officials should channel their regulatory zeal to practices "that harm consumers within a single state."

After a six-month study, the 18-member panel chosen by the American Bar Association concluded that the Federal Trade Commission is the proper regulator of national advertising.

The National Association of Attorneys General has made concerted moves against major national advertisers in recent years, validating its new activism as a byproduct of inertia by the Reagan administration FTC.

While acknowledging that state attorneys general may be well-intentioned, the ABA report said: "Uniform national standards, vigorously enforced and consistently interpreted, would be preferable."

"When a deceptive advertising campaign has substantial interstate effects," the report said, "the FTC presumptively should be the government enforcement agency."

Still, the ABA committee called for cooperation between the commission and the state attorneys general since "much state enforcement can be beneficial."

It even recommended that the FTC explain publicly, within the confines of its confidentiality limitations, when the federal agency opts not to challenge an advertisement.

"The advertising community and other enforcers would be educated and reassured by a better understanding of the FTC's reasoning," the report said.

The ABA undertook this 1988-89 study as a 20-year follow-up to its 1969 report, used by President Nixon to overhaul the FTC. This year's report was intended to help the new Bush administration examine—and possibly change—the role of the FTC with an eye toward the 21th century.

Miles W. Kirkpatrick, FTC chairman from 1970 to 1973, chaired the new panel.

Mr. Kirkpatrick admitted the report skirts the question of how state and federal regulators should both cooperate and stay out of each other's way. He said the committee "could give no examples of where states could go" in pursuing national advertising.

The report took perhaps its strongest position on the question of whether the FTC has sufficient resources to do its job. Reagan administration budget cuts have taken a heavy toll at the agency.

"FTC work years are 53% of what they were a decade ago," the report said. "The current staff level is cause for serious concern. We are also concerned that as the FTC has been reduced in size, it has become top-heavy. . . . We urge

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BURNOUT

How BBDO's Willi Schalk beat stress and saved his life

For more than 20 years, Willi Schalk, 49, president and chief operating officer of BBDO Worldwide, pursued a frenetic career, with a schedule that required offices and homes in New York and Duesseldorf. He succinctly stated his work ethic several years ago: "For me and my wife, it was clear that my job would be the first priority. I know it sounds brutal, but there is simply no other way." In the fall of 1987, a brush with a serious, life-crippling condition—caused by stress—forced him to find another way, to change his lifestyle dramatically. Here is his story as told to ADVERTISING AGE *International Editor Nancy Giges.*

"I must in retrospect say I still don't understand how I lived and worked and traveled for such a long period the way I did. People kept telling me, 'You're going to crack.' I didn't listen. I didn't pay attention. Others got sick, suffered from stress. Not me.

Whatever happens around you does not seem relevant unless you're directly affected. As far as health is concerned, the others are always the others. We say, 'I'm different.' But one day we'll have to pay tribute or change.

Change is almost routine in the advertising business. We're used to frequent changes and adjustments; we manage change quite successfully on the business side of our lives.

The much more difficult part seems to be the personal side. Once you have the attitude 'Job first,' as I did, you can get completely absorbed by the business and your role in it. And you begin to neglect the need for other activities, for the right balance between your job and your private life.

I didn't and don't see the risk so much on the mental side, since the advertising business is so stimulating that it keeps your mind in constant exercise. The big danger is on the physical side and, as I've learned, if you don't take care of yourself physically, you can get to a point where your total system will break down.

I was reluctant for quite a while to talk about my experience, and I'm still hesitant since it is a very personal, private matter. However, [after] being asked so many times, I finally agreed to 'speak out.'

I'm doing it for no other reason than to say to those people who warned me, 'You were right,' and, maybe, to a few others, 'Watch out, we're not immortal.' If we want to keep our business healthy, we have to stay healthy as individuals.

'Mens sana in corpore sano' is a citation from the ancient Romans, and they were, once more, right. I had to learn it the hard way: 'Mental fitness requires physical fitness.' And to realize this, I had to change.

Most of it had to do with me as a person. Some of it may be symptomatic to"

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Staff photo by Doug Goodman

BBDO's Willi Schalk faced a serious health crisis before he learned to balance the business side of his life with exercise and relaxation.

Burger King change coming fast

New marketing chief will decide on Ayer

By SCOTT HUME

Burger King Corp. has a new marketing chief, and franchisees and company insiders believe the fast-food chain will get a new marketing strategy—and possibly a new ad agency—as well.

Under Gary L. Langstaff, 40, named exec VP-marketing last week, Burger King is expected to return to the advertising aggressiveness it displayed in the early 1980s.

Many sources believe Mr. Langstaff will review the No. 2 burger chain's $150 million-plus national ad account to ensure the chain has an agency compatible with his own style. There's also speculation he won't implement a planned regional marketing strategy but will keep a centralized system intact.

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Wendy's guarantees—P. 66
Pizza Inn repositioned—P. 67

A Burger King spokesman last week said the chain wouldn't make any decision on its agency until its restructuring is resolved. With that restructuring now accomplished, the matter of Ayer's future presumably has taken center stage.

Insiders say the agency decision will be made within the next few weeks and contend the replacement of 18-month incumbent N W Ayer, New York, is now more likely than ever.

The man Burger King Chairman Ian Martin and CEO Barry Gibbons brought in to reshape the chain's marketing and advertising direction "can hit the ground running," said an East Coast franchisee.

"The general reaction is that [Burger King parent Grand Metropolitan] couldn't have made a better choice [than Mr. Langstaff]," he said. "He knows the business very well—Hardee's is a tough chain."

Previously exec VP-marketing for Hardee's Food Systems, the No. 3 burger chain, Mr. Langstaff succeeds Don Dempsey, who moves to an unspecified "senior management position" in international operations.

The East Coast franchisee said he expects Mr. Langstaff to replace Ayer.

"I can't see why we should give them another shot," he said. "A year ago at this time we were talking about their new campaign and the prospects for a good 1988" that didn't materialize.

The latest Burger King TV spots from Ayer—including one featuring a "scratch-and-sniff" patch on a burger patty—don't carry the year-old "We do it like you'd do it" theme line. The Burger King spokesman

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GARY LANGSTAFF

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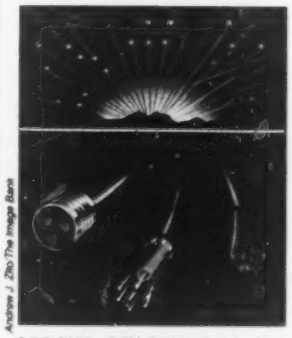

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Henkel dumps McCann in plan to align brands

By LAUREL WENTZ

LONDON—West German consumer products giant Henkel is dropping McCann-Erickson Worldwide from its international agency roster to take a more unified approach to Europe.

Following the $30 million loss in business, McCann "has had conversations with Unilever" about picking up cleaning products business internationally that had been blocked by Henkel assignments, a McCann source said. "There is nothing imminent, but there certainly have been conversations."

The Henkel business is being divided among its four remaining international agencies.

Lowe International here, owned 30% by Interpublic Group of Cos., is the big winner with more than $15 million in fabric softener and other business.

HDM picks up McCann's dishwashing detergent brands and TBWA and BBDO Worldwide will get smaller assignments.

McCann also handled automatic and hand-wash laundry detergent and household cleaner accounts in several countries for Henkel.

The former McCann brands will move into these agencies by yearend, said Klaus Morwind, the member of Henkel's operating management in charge of all the company's detergent business outside of Germany.

Henkel has been planning to cut its European roster possibly to three international agencies and to eventually eliminate local agencies (AA, Jan. 30).

The company's ad budget is about $230 million a year for detergent and household cleaners. Those products account for slightly more than 30% of the company's nearly $6 billion in sales. Henkel is a major competitor of Procter & Gamble Co. and Unilever in Europe.

Mr. Morwind said Henkel won't look at eliminating another interna-

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Saatchi sets May meeting of execs

By JON LAFAYETTE

NEW YORK—Saatchi & Saatchi Advertising Worldwide has called the first meeting of its ceos and creative directors, but the parent company's lagging profits won't be on the agenda.

About 100 executives are expected to attend the May 8-10 meeting here. The gathering's estimated cost is between $100,000 and $200,000.

"It's the first time we're acting as a grown-up network," said Alban Lloyd, chairman of Saatchi & Saatchi International.

Rather than discuss Saatchi & Saatchi Co.'s pretax profits drop this year, the meeting will concentrate on professional issues, said Milton O. Gossett, co-chairman-ceo, Saatchi & Saatchi Advertising Worldwide.

These issues include business development and creative excellence. Plans for the meeting began about nine months ago, he said.

The guest speaker at the meeting will be Procter & Gamble International President Edwin Artzt.

Saatchi agency managers also will meet with heads of some other Saatchi-owned companies, including its Rowland public relations unit and design specialist Siegel & Gale. The purpose is to stimulate cross-referrals within the group.

Backer Spielvogel Bates Worldwide, another Saatchi-owned agency, will hold its second worldwide management meeting here next month, too.

"I think [these meetings] are invaluable," said Carl Spielvogel, chairman-ceo of Backer. "When you've got a worldwide company and people are spread across 46 countries, it is important that you press the flesh at least once a year."

Euro, Pacific spending spree

Ad budgets for '89 lag in U.S.

By JULIE SKUR HILL

Searching for ad spending growth? Look overseas.

While the mature U.S. market anticipates low growth in '89, the European Community's 1992 plan and the development of Pacific consumer markets will fuel growth outside the U.S., according to ADVERTISING AGE's latest survey of ad spending trends around the world.

Overall, foreign spending is expected to jump 12% to $136 billion in 1989, said Robert Coen, senior VP-director of forecasting at McCann-Erickson Worldwide, New York. The U.S. will grew 6.1% to $125.6 billion (AA, Dec. 19).

Unlike Mr. Coen, who bases his figures on dollars and allows for inflation, AD AGE's reports are expressed in local currencies and exclude inflation.

As the European Community moves toward dropping remaining trade barriers among its members, the ad industries in Italy and Spain will continue their race to catch up with the rest of Europe.

"The one fact hanging over all Europe is 1992," Mr. Coen said.

Australia and Japan also are expected to be hot spots this year, while high inflation and unpredictable economies are likely to dampen spending growth in Mexico, Brazil and South Africa.

Europe

Europe's hottest growth will come in its warmer climates.

"Spain and Italy used to be the financial whipping posts of Europe —but not anymore," said Thomas Maxey, president-international at N W Ayer, New York.

Spain, where ad spending grew an incredible 20.9% in 1988, is expecting 15% growth this year, according to the Advertising Agencies Association, Madrid.

"There is no indication of a slowdown in private consumption, and marketers are keeping up a fast pace of new-product launches—so ad expenditures will grow as well," said Maria Angeles Gonzales, research director at J. Walter Thompson Spain.

Part of the growth in Spain will come from political advertising. In June, all Europeans will elect their countries' representatives to the European Parliament. And in September, regional elections will be held for the autonomous government of Galicia in northern Spain.

Also, Spain's general elections, now scheduled for 1990, may be moved up to late 1989, some sources say.

Predictions may be overly optimistic, however, because of increased labor conflicts and social tensions since the Dec. 14 general strike.

Also, a tough monetary policy, introduced by the government in February, may slow down the economy.

In Italy, the ad industry projects an 11% increase in spending this year, following 8% growth last year.

But McCann's Mr. Coen is more pessimistic. "I get the feeling that [Italy] has had two to three good years, and there's some fear that it's plateauing," he said.

In 1988, France grew 9.3%, and a 9% increase is expected for this year.

"More and more affordable means of advertising are now available," said Philippe Legendre, director of studies at the Association of Agencies in Counseling & Communication, Paris.

As a result, he said, "many more companies are now thinking about marketing, something they weren't doing a few years ago."

In the U.K., where 10% growth in 1988 surpassed all expectations, only a 4% increase is predicted for this year.

"It had been a marvelous year," said Mike Waterson, research director at the Advertising Association in London. "I wish I had been an owner of an advertising agency," he said.

"Consumer expenditure is booming at the same time corporate profit margins have been widening —two factors that combined to provide a tremendous increase in advertising," he added.

However, the boom will end shortly, Mr. Waterson said, "as a result of slowing consumer expenditure caused to some extent by jacking up of interest rates by the U.K. government."

The entry of satellite TV, including Rupert Murdoch's Sky Television, will "not yet take advertisers away from existing commercial channels," said Tim Cox, media director for BMP Davidson Pearce, but satellite networks will be "looking for new TV advertisers, particularly small spenders."

In West Germany, growth has been consistently low compared with the rest of Europe. The 2.5% growth seen last year is also expected in 1989.

Asia/Pacific

Australia, where growth had been in the doldrums for several years, has come on strong.

"In the wake of the October 1987 stock market crash, we all, includ-

(Continued on Page 55)

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Jeep ads hit high gear

By RAYMOND SERAFIN

HIGHLAND PARK, MICH.—Chrysler Motors is giving its biggest ad support ever to Jeep, backing up its $24 million gamble in expanding production capacity for Jeep vehicles.

The estimated $25 million second-quarter media blitz that broke April 2 includes 125 spots on network prime time and news, and heavy involvement in CBS-TV and Turner Broadcasting System telecasts of National Basketball Association playoffs.

Jeep and Eagle are the NBA's official vehicles.

Jeep also plans print ads, mostly spreads, in about 70 magazines and will run radio and outdoor ads in the 19 markets that account for 60% of Wrangler sales. The theme line remains "Only in a Jeep."

The move follows the investment Chrysler made in two plants that boosted capacity to 403,000 units, according to *Automotive News*. Chrysler built about 307,000 Jeep sports-utility and pickup trucks in 1988.

Jeep models, especially the Cherokee and Grand Wagoneer, are high-profit vehicles for Chrysler. Boosting sales is more important than ever for the No. 3 automaker, which last week joined the latest auto incentives fray by offering low- or no-interest financing on certain loans *(see related item on Page 65)*.

The cost of subsidizing low-interest loans is expected to cut deeply into second-quarter profits for all domestic automakers.

The increase in Jeep production capacity is risky because the U.S. automotive market has been weak, and that's what led to the new round of deep-discount incentives.

The Jeep media blitz was planned before the newest consumer incentives, said David Kerr, Jeep advertising manager for Chrysler's Jeep/Eagle division.

"The new 0.0% financing program strengthens our message even more," said Mr. Kerr, who added that previously executed commercials will be given new tags promoting the incentives.

Campbell-Mithun-Esty, Southfield, handles.

The Jeep brand should also get a boost from last month's introduction of Jeep apparel in 46 department stores across the country, under a licensing agreement with Murjani International (AA, Sept. 5).

The Jeep clothing will be in 150 stores by fall, said Bob Kirkwood, director of Jeep licensing at Chrysler.

He said Jeep and Murjani are still negotiating with manufacturers of items other than clothing to carry the Jeep brand.#

BBDO may leave S.F.

By GARY LEVIN

BBDO Worldwide could join the ranks of agencies pulling out of San Francisco.

"San Francisco is one office . . . being reviewed, as far as what the future should be," BBDO Chairman-CEO Allen Rosenshine said.

He said a decision on whether to shutter the office will be made in the next two months. The office has billings of about $12 million.

But the agency's West Coast chief is thinking positive.

"Allen and I have talked, and I think I can give him positive plans for San Francisco," said Gene Cameron, president-ceo of BBDO's Los Angeles and San Francisco offices. "I know I'm going to be given an opportunity to discuss it."

Mr. Cameron was planning to travel to New York this week, presumably to discuss the situation in the Bay area. The unit there now operates as a service office for Visa International, plus has some regional Dodge dealer business and a few commodity food assignments.

Last month, D'Arcy Masius Benton & Bowles left San Francisco after losing two top accounts (AA, March 20). The status of Lowe Marschalk's office, which billed $17.7 million in 1988, is also uncertain.

Managers of that agency, led by Senior VP-Creative Director John MacDaniels, are close to a deal to buy the office, agency officials confirmed.

If that deal fails, Lowe Marschalk parent Interpublic Group of Cos. will likely fold the office into McCann-Erickson Worldwide's office.#

Cleveland Horton in Los Angeles contributed to this story.

Film ad war erupts

Backs new lines from Polaroid, Kodak, Fuji

By ALISON FAHEY

A film advertising battle is breaking out among Eastman Kodak Co., Polaroid Corp. and Fuji Photo Film USA.

Major ad campaigns for new products from the three target the 35mm market, the fastest-growing segment of the $2 billion conventional-film category.

Polaroid's entry last week into the amateur conventional-film market (AA, March 13) in the U.S. will be backed by $30 million in advertising and promotion.

That move was preceded by Kodak's decision to boost its ad budget for Kodacolor Gold and Ektar films by more than 25%, to $50 million this year.

Fuji increased spending 65% for amateur film and camera advertising, to about $17 million.

On May 17, Polaroid breaks two 30-second commercials on network and spot TV for OneFilm, its new, single-speed conventional film designed to eliminate consumer confusion over multiple film speeds. The film comes in 35mm, 110, 126 and disc format.

The humorous spots, from BBDO Worldwide, New York, play on OneFilm's positioning by showing consumers befuddled over which film speed to buy. The tagline is "For beautiful pictures, the choice is easy."

OneFilm also has an aggressive promotion schedule lined up for the year, said Wayne Nanna, director of marketing-conventional film. Free standing inserts running on May 21 carry a 50¢ coupon for any OneFilm product; a second FSI is planned for mid-October.

Retailers have a choice of run-

(Continued on Page 66)

Print ads are included in the first advertising for Fuji from Hal Riney & Partners, New York.

TIME TO TRY SAFER SEX?

Then rediscover the *SatEvePost*—the safest, most trusted family magazine for all generations.

Did you catch this recent *Advertising Age* lead article? It exclaimed, "The 'New Puritanism,' an attitude of consumers that network TV has gotten too lenient in its treatment of sex and violence, is starting to hit advertiser, agency and network TV executives hard" (see inset).

Offensive sex and violence is a concern of all. Consider alternatives in response to consumer backlash and family outcry.

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Tell this "new Puritan" audience you care by putting your ad in *The Saturday Evening Post* . . . the magazine they trust. After all, we've been the pride of the pastor's coffee table for a few hundred years. We've never gone off display in the public libraries throughout the country for lack of decency. We reach Puritans.

An ad in the *Post* is a statement of corporate responsibility and responsiveness to an undeniable shift in what the American public is willing to accept. Place your ad while others scramble as TV producers and program execs try to react to the voice of the American family. The *Post* already contains family-oriented humor.

The *Post* doesn't accept cartoons or ads that are in conflict with good health for families with or without children.

Advertising Age

Advertisers 'up in arms'

NBC's Tartikoff reacts to mood

By WAYNE WALLEY

THE NEW PURITANISM

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Perfectwedding
Married . . . With Children
Moonlighting
60 Minutes
L.A. Law
Night Court
Cheers
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'N.Y. Post' appoints Salembier president

By PATRICK REILLY

Valerie Salembier, the new president of the *New York Post*, spent the weekend shopping—in Paris.

On April 24, she will descend to the *Post*'s gritty South Street plant in lower Manhattan to take on a much tougher chore: salvaging what appears to be a faltering launch of the *Post*'s Sunday edition.

The Sunday *Post* has won the respect of local critics for its editorial product, but early results indicate it hasn't pulled the circulation numbers that former Publisher Peter Price predicted.

Mr. Price resigned abruptly last week to form a partnership with Univisa, a Los Angeles-based communications company.

V. Salembier

Post owner Peter Kalikow has appointed himself publisher. He named Ms. Salembier, 43, who's served six months as publisher of Rupert Murdoch's *TV Guide*, to take his title as president.

"The Sunday *Post* will be a big part of the challenge, but like any new-product introduction it will take time," Ms. Salembier said. "Just like *USA Today*, which was heavily promoted at the beginning and got a fast start, the Sunday *Post* will have to find its own growth rate. I am a believer in the Sunday *Post*."

Before *TV Guide*, where she counted as one among only a handful of women magazine publishers, Ms. Salembier served five years as senior VP-advertising at *USA Today*. She has also been associate publisher of *Ms.* and even spent one year as a publisher at Christopher Whittle's 13-30 Corp., a forerunner to his Whittle Communications.

The *Post*, with Ms. Salembier and Editor Jane Amsterdam, will be the country's only major metropolitan daily newspaper run by women.

The Sunday *Post* launched March 5, and *Post* executives said it sold at least 440,000 copies the first Sunday and about 400,000 the next. Execu-

(Continued on Page 68)

CORRECTIONS & CLARIFICATIONS

- Marc Advertising, Pittsburgh, continues to handle broadcast buying east of the Mississippi and print advertising for Jerrico's Long John Silver's restaurant chain, despite the assignment of broadcast creative and some media buying to Bozell, Dallas (AA, April 3, P. 1).
- The client for Zerex Antifreeze Coolant in "Global Gallery" (AA, April 3, P. 35) should be BASF Corp. Chemicals Division, Parsippany, N.J.
- In a ranking of Sunday newspaper circulation (AA, March 6, P. S-12), the *Atlanta Journal & Constitution* was incorrectly omitted. The Atlanta paper, with a Sunday circulation of 650,542, should occupy the 13th place on the list of 20. The paper has a combined daily circulation of 458,682.#

April 10, 1989

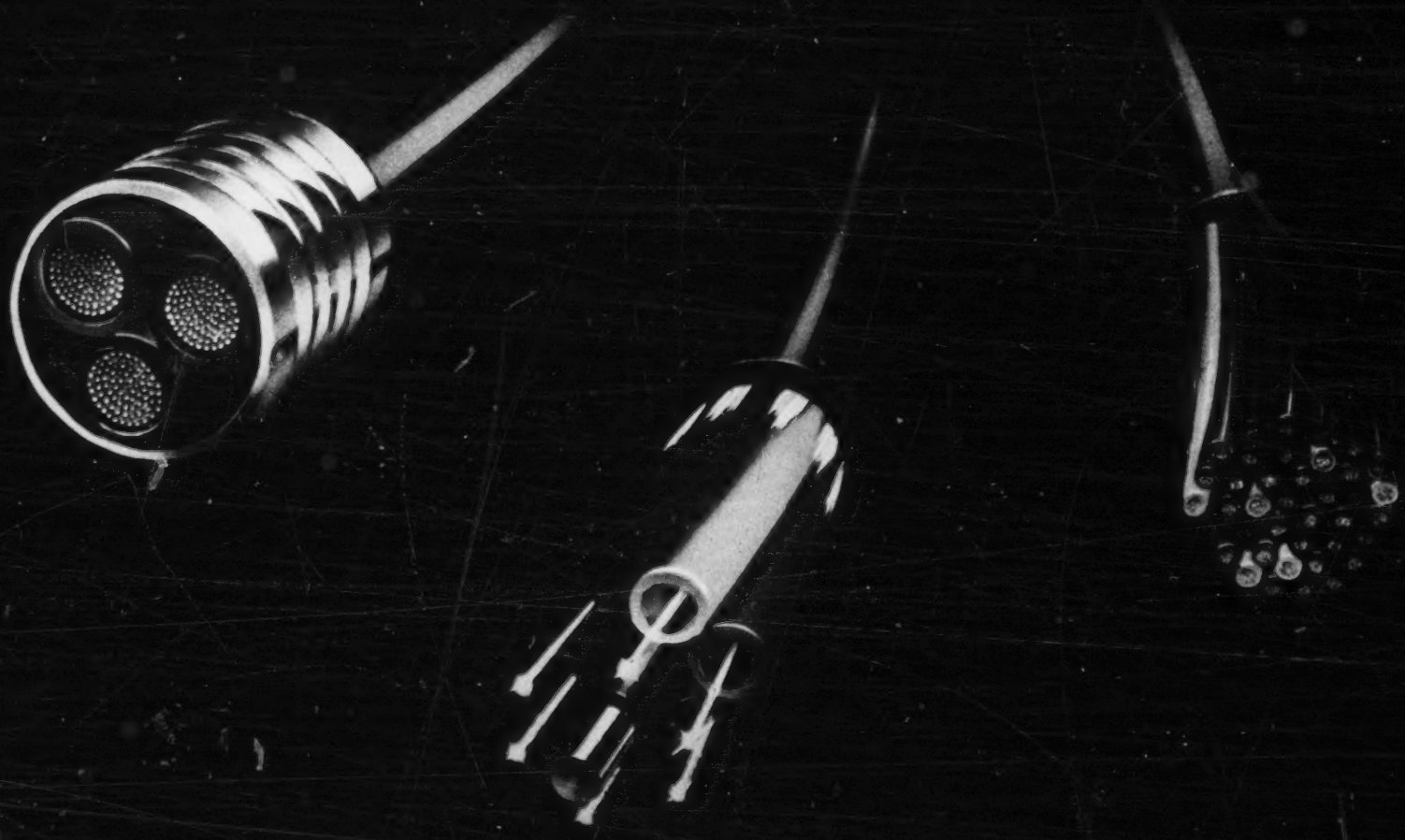
Advertising Age

Crain's International Newspaper of Marketing

Special Report

Cable TV

Wired for a new competitiveness



Mark Anderson

Wounded networks go for jugular

Cable execs admit attack could have been devasting if launched before they became entrenched

By Wayne Walley

Cable bashing is fast becoming the latest broadcast network fad.

Instead of challenging each other, as they did in the past, the Big 3 network presentations to advertisers and agencies are independently beginning to lash out at the fast-growing medium they once ignored.

"The network criticism makes us feel legitimate as competitors," says John Reardon, exec VP-sales of MTV Networks. "Today most of the agencies are savvy enough and taking this with a grain of salt. But if the networks would have done this three years ago, it could have been devastating."

ABC fired the first salvo in the new network war against cable TV last November when it unveiled a presentation titled "20 Questions Facing National TV Advertisers."

The idea, ABC says, was to remind media planners of broadcast network strengths against its growing competitors: cable TV and syndication.

Described as an "even-handed presentation" by those who have seen it, ABC merely tries to encourage planners to use other network dayparts as an alternative.

NBC, as the No. 1-rated network and about to start cable service Consumer News and Business Channel, has tried to stay out of the fray so far.

CBS, however, launched a more vicious attack on the medium a month later with its now famous "The Cable Fable," a study by David Poltrack, CBS senior VP-planning and research.

The CBS conclusion is forthright: "What cable promises, network delivers."

This, along with a storybook format the network produced as part of its presentation, irked the cable industry.

But cable sales executives dismissed both network presentations, claiming advertisers and agencies would not be swayed by a manipulation of numbers.

"We could all put up a set of numbers and all of us would be right," says Lloyd Werner, senior VP-sales & marketing, Group W Satellite Communications, which handles The Nashville Network.

"But when cable goes in a home, something happens. There are changes in viewing patterns and the advertisers are reacting to that," Mr. Werner says.

"It isn't a fad or something based on numbers. The broadcast networks, now and forever, will be the best way to reach a mass audience. But we offer more than tonnage. We sell a program environment with promotion opportunities and more. That's something broadcasters have not had to do," he says.

Robert Alter, president of the Cabletelevision Advertising Bureau, does not deny the positives of network TV emphasized by ABC and CBS, but he questions the network data, the network methods of presentation and the intent behind the network actions.

Instead of fighting each other, Mr. Alter says, ABC, CBS and NBC should join cable to fight against TV's real nemesis: sales promotion. "We need cooperation to get TV budgets growing."

Some agency executives were surprised by the sudden network challenge to cable, but others welcomed the new aggressiveness of ABC and CBS.

"The networks finally woke up, all of a sudden. They should have been doing this before," says Bart McHugh, senior VP-director of national radio/TV programming at DDB Needham Worldwide, New York.

"But what the networks need to do now is pay attention to programming. If they present something new and unique, people will watch. Look at the results of 'Lonesome Dove' on CBS. There are shows on network TV where there isn't an audience loss. The broadcasters have hurt themselves. It's not because of a loss to cable," he says.

"As far as [the presentations] having an effect on media buyers, it won't," says Paul Isacsson, exec VP, Young & Rubicam, New York. " 'The Cable Fable' was more offensive in its presentation, but it did raise some valuable points," he adds. "Both presentations were a good review."

The networks, in the meantime, are likely to continue bashing away.

Howard Stringer, president of the CBS Broadcast Group, in a speech to the Academy of Television Arts and Sciences in Los Angeles last month, emphasized the networks' 68% share of the viewing audience despite representing only 15% of the viewing options today.

"Wider choices are not necessarily better choices," he says. "Movie channels aside, the cable listings offer mostly what I like to think of as the three R's of cable—rock videos, reruns and 'restling. There's nothing wrong with that, except that it suggests that if cable television is the answer, then isn't the question, 'How do we make the most money from the fewest original programs?'

"No cable network with the exception of ESPN can match the demographic profile of the broadcast networks in prime time," he says.

ABC, CBS and NBC, in their reviews of the February ratings sweep for the press, also emphasized that

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'No vacancy' sign hung out
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New elite: Nick/Think/BET
Pgs. S-31, S-32

Cover graphics: Andrew J. Zbukvic/Image Bank

Fable's moral: Don't ignore nets

CBS punches hole in some beliefs

CBS has turned into a regular Aesop. The moral of "The Cable Fable," or so says CBS, is "When a lean giant lends an ear, he becomes a powerful partner."

The report, which rankled many in the cable industry when it was unveiled last December, was designed to answer two questions bothering CBS executives: To what degree are network television dollars being diverted to cable TV, and what is the rationale for this conversion?

The conclusion: Network TV dollars were being diverted to cable TV, but the reasoning was varied and vague.

CBS' "The Cable Fable" study concludes: "What cable promises, network delivers."

"More importantly, many of these reasons seemed to be based on false assumptions and none of them were supported by hard data," says David Poltrack, CBS senior VP-planning and research, in "The Fable" presentation.

Mr. Poltrack then summarizes the CBS findings.

- "Cable television audience growth has slowed as cable penetration growth has slowed.
- "Among the 141 cable-originated services included by Nielsen in its cable origination figure, the audience growth has been greater for the smaller local and regional services than for the national, measured cable networks.
- "National cable network audience growth has been fueled primarily by increased penetration. Ratings growth in subscriber homes has been modest. Individual cable network ratings remain low, averaging less than a 1.0.
- "With homes passed approaching the expected limit and remarketing efforts to date failing to convert a significant number of original cable rejectors, future audience growth based on increased penetration will not approach the growth rate of the past decade.
- "The cable viewer profile is quite different from the cable subscriber profile.
- "The viewer profile of the cable network audience in cable homes is inferior, in terms of upper socio-economic parameters, to the viewer profile of the broadcast networks in those homes.
- "Supplemental cable schedules may correct for network GRP [gross rating points] imbalance in cable versus non-cable homes; however, it adds an imbalance of its own due to the underdelivery in the country's critical top 25 markets.
- "And last, but certainly not least, in the fourth quarter of 1987, the cable supplemental schedules analyzed showed cable GRPs to largely add frequency against the portion of those homes, or target individuals, that are already reached most often by the base broadcast network schedules.

"A re-expression of the cable dollars in additional broadcast network weight coupled with a revision of the base network schedule improved reach in every case; and added frequency in the important middle, effective frequency range, of the frequency distribution curve."

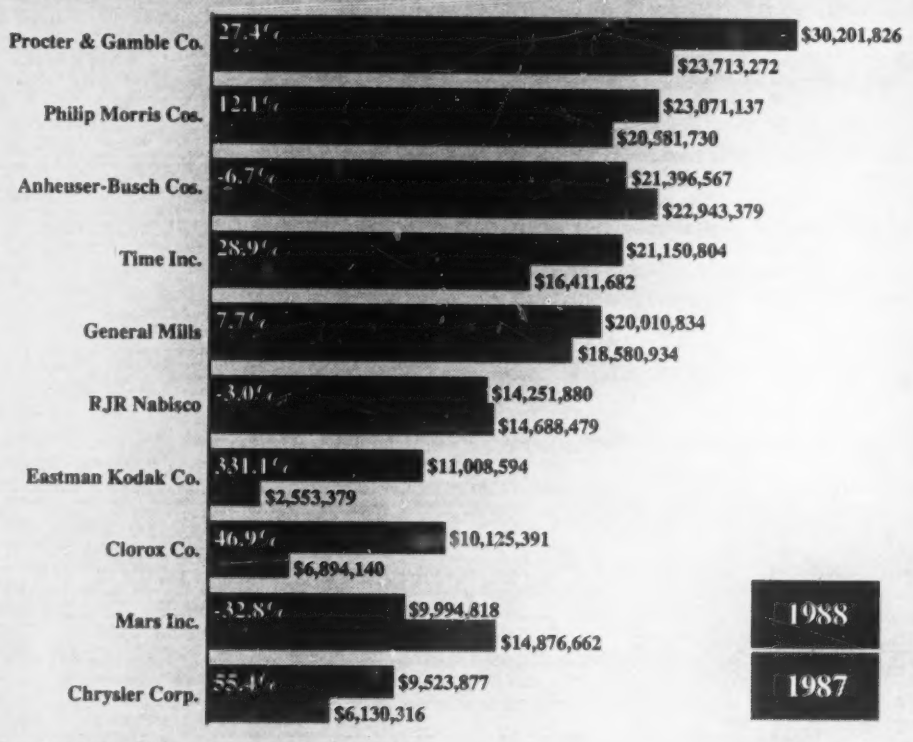
"The Cable Fable's" purpose is not to convince buyers that cable is without value, Mr. Poltrack says. "That is unrealistic and not true."

Its function is to convince buyers and planners to "examine all options" including broadcast network only, broadcast network plus cable, broadcast network plus national spot television, or national syndication, or all of the above before settling on a TV advertising strategy," Mr. Poltrack says.

—Wayne Walley

The top 10 advertisers on six major cable networks

This ranking of cable advertisers for 1988 adds newcomers Clorox, Chrysler and Eastman Kodak. They replace Coca-Cola, General Motors and Thompson Medical, which were among the top 10 cable advertisers in 1987. Percentages illustrated indicate change from 1987. The six networks included: CBN, CNN, ESPN, MTV, TBS and USA.



Source: Broadcast Advertisers Reports Advertising Age graph: John Hall

Networks

(Continued from Page S-1)

the total reach of network TV—95% of all TV viewers tune in to network TV at some time during the week—has not changed in the past 10 years despite smaller audience shares.

The networks also worry that too many buyers equate all cable attributes to individual networks.

Mr. Poltrack says in his "The Cable Fable" presentations, "Cable television has a role in many television advertising campaigns. Cable television provides an efficient, low-unit cost supplement to traditional over-the-air television advertising and it also offers some unique promotional and merchandising opportunities.

"However, in our analysis we found that many other virtues were being ascribed to cable television advertising, virtues that it does not possess," he says.

Most cable executives question the network motives behind the bashing of their medium and believe the presentations attack media-buyer strategies.

"Why throw the bomb at cable buyers? You don't tell advertisers and media buyers you made a mistake buying cable. It may have a boomerang effect," says Jack Bonanni, senior VP-ad sales, ESPN. "They had it their way for so long, [the attack] is late, unnecessary and smacks of spoiled children.

"TV, in general, is suffering from promotion taking money out of TV. We can all speak about strengths without knocking competitors. Cable TV is an excellent supplement," he says.

"It's safe to say the agency reaction has been mixed, says Richard Hammer, VP-advertising sales, The CBN Family Channel. "Those who want to believe nothing has changed support the network attitude. Those aware of the marketplace see the studies are full of errors and unsupported conclusions. That's the same dichotomy we face in the marketplace."

Donald B. Miller, chairman-ceo of Horizon Media, believes the network presentations will not change the plans of many agencies or advertisers.

"A lot of major advertisers have wanted leverage. That's what cable offers," he says. "Companies like Procter & Gamble have been very encouraging to cable. You won't find many people who say they will walk away from it."

The network reaction, albeit late to cable, is not unusual, Mr. Miller says. "This reaction is analogous to what happened with a number of businesses. Long after broadcast started, magazine groups battled each other as if broadcast did not exist when the battle was really TV vs. print."

The networks, however, believe there is a need to "re-express the value of network TV" and "point out the drawback of alternatives," says William Germano, director-marketing presentations, ABC Sales Development.

The "20 Questions" presentation has been well received, Mr. Germano says. "Most people are happy we're talking about it."

The combined size of the 18 cable networks' sales forces overshadows the three broadcast networks' combined sales force, Mr. Germano says.

"Cable got out there when we weren't out. They got out their side of the story. As a result cable networks are generating larger shares.

"Now it's time for our side of the story. Cable should be a part of the mix when necessary, but there is misuse of cable. Clients and planners may have moved to cable for the wrong reasons," Mr. Germano says.

The reason Anheuser-Busch Cos. uses cable: "We pay for what we get," says Tony Ponturo, director-media services for A-B.

"Cable is more established today and considered part of our national TV budget," Mr. Ponturo says. "We look at good programs and good efficiencies and a way to maximize our participation with merchandising or on-the-air billboards and such. We do not say, 'Let's put 5% or 10% or 15% in cable.' We're allowing the program [to stand on its own]."

"We went to cable by following the good programs. Whether or not cable is in 50% of the country doesn't matter that much," Mr. Ponturo says.

According to Nielsen Media Research, cable is in 49.5 million U.S. TV households, or 54.8% of the country. Ten years ago only 3.6 million, or 18.2% of U.S. households, received cable.

"There are now two television universes—cable and non-cable—with cable the larger," Mr. Alter told the Association of National Advertisers convention in February.

"While there is room for healthy competition among the various programming sources, all of us in television must understand the biggest competition we face is not from one another, but from promotion and other non-media expenditures that promise a quick fix. We must work together to maintain the confidence of advertisers in the effectiveness of television."

Cable networks, particularly The Nashville Network and MTV Networks, target promotional budgets and attempt to create marketing vehicles for advertisers instead of media buys.

"We make a conscious effort to tap into promotional budgets," says Mr. Reardon. "We have taken the lead in added value for advertisers."

"I don't worry about the research of 'The Cable Fable,' " says Mr. Werner. "I worry about a Coke machine showing up in 'Dallas.' CBS is talking about adding value to spots on network TV. We've been doing that on cable, but if the networks start doing it, it means cable will have to do more.

"The beneficiary of all this is the advertiser. TV eats up huge chunks of money but we're not offering enough," he says. "We will have to be more creative and innovative." □

The Cable Fable Label

Label it fable,
but the numbers are stable
We bring to the table
more than a fable

Networkus, fat from oligopoly,
would have liked a monopoly
But, as everyone knows,
cable erodes
And the giant was forced
to compete

At the beach
the joust began
The giant had reach
but hadn't a tan.

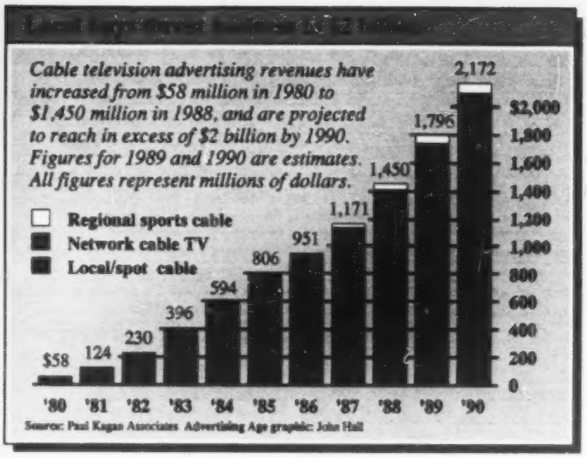
Cable was fast
and had the demos
The giant was slow
and had the limos

The giant's limos were fine,
but his CPMs were off target
Cable's CPMs were sublime,
and took much of the market

The giant's strength
started to decrease
So at great length
he spewed a release

The giant stated
that cable was a fable
Until it was negated
that fable was a label.

Ed De Nicola
National Sales Coordinator
A&E Cable Network



ABC only too happy to answer cable questions

Presentation paints net in favorable light, cites cable's flaws

If ABC is bashing cable, it is doing so with a rubber hammer. ABC executives say the network's "20 Questions Facing National TV Advertisers" presentation is not designed to bash cable but merely to point out network TV strengths.

One reason behind the softer touch may be the fact Capital Cities/ABC also owns 80% of ESPN, 38% of Arts & Entertainment and 33% of Lifetime. But executives at the three cable networks and ABC say Capital Cities allows each part of the company to operate independently.

"They are letting each division be competitive and it's good competition," says Jack Bonanni, senior VP-ad sales, ESPN.

Since last November, ABC sales executives have been competing with the "20 Questions" presentation, which they have shown to 2,000 people representing more than 50 client companies.

The following abbreviated excerpts cover ABC's responses to questions in the presentation that deal directly with cable TV.

Question 4: How does cable perform in key geography?

By indexing the prime-time household ratings for the top five adult cable networks by the standard five Nielsen territories, it becomes evident that four of these cable outlets underdeliver the Northeast and the Pacific. These regions not only represent 40% of the households in the U.S., but are generally more important marketing areas for most advertisers. The cable networks bulk up their audience delivery in the other three regions, particularly in the South.

Question 5: Are cable audiences more desirable?

On average, cable households are more upscale than the average U.S. household. But when cable households are separated by pay cable and basic cable status, it becomes apparent that only pay cable households are more upscale.

Basic cable households are no more upscale than the average household in the country.

Question 6: Does network TV deliver pay cable households?

In daytime, the three broadcast networks, in total, generate about the same rating in pay cable homes as they do in the average U.S. home.

In prime time the three networks typically attain ratings in pay cable homes that are only marginally below total U.S. ratings.

Question 7: Can network TV deliver narrow targets?

Selectivity within broadcast network program areas offers a similarly high concentration of target prospects.

The network news programs are delivering the select mass, that is, establishing high reach of narrow target not available via the cable networks.

Network TV programs with high proportions of consumer prospects insure select delivery in large enough numbers to make the advertising successful.

Question 10: Are the alternatives to network new, distinctive and exciting?

The bulk of cable programming fails to capitalize on the potential to air new and distinctive programming. As a result, many cable networks do not deliver select audiences.

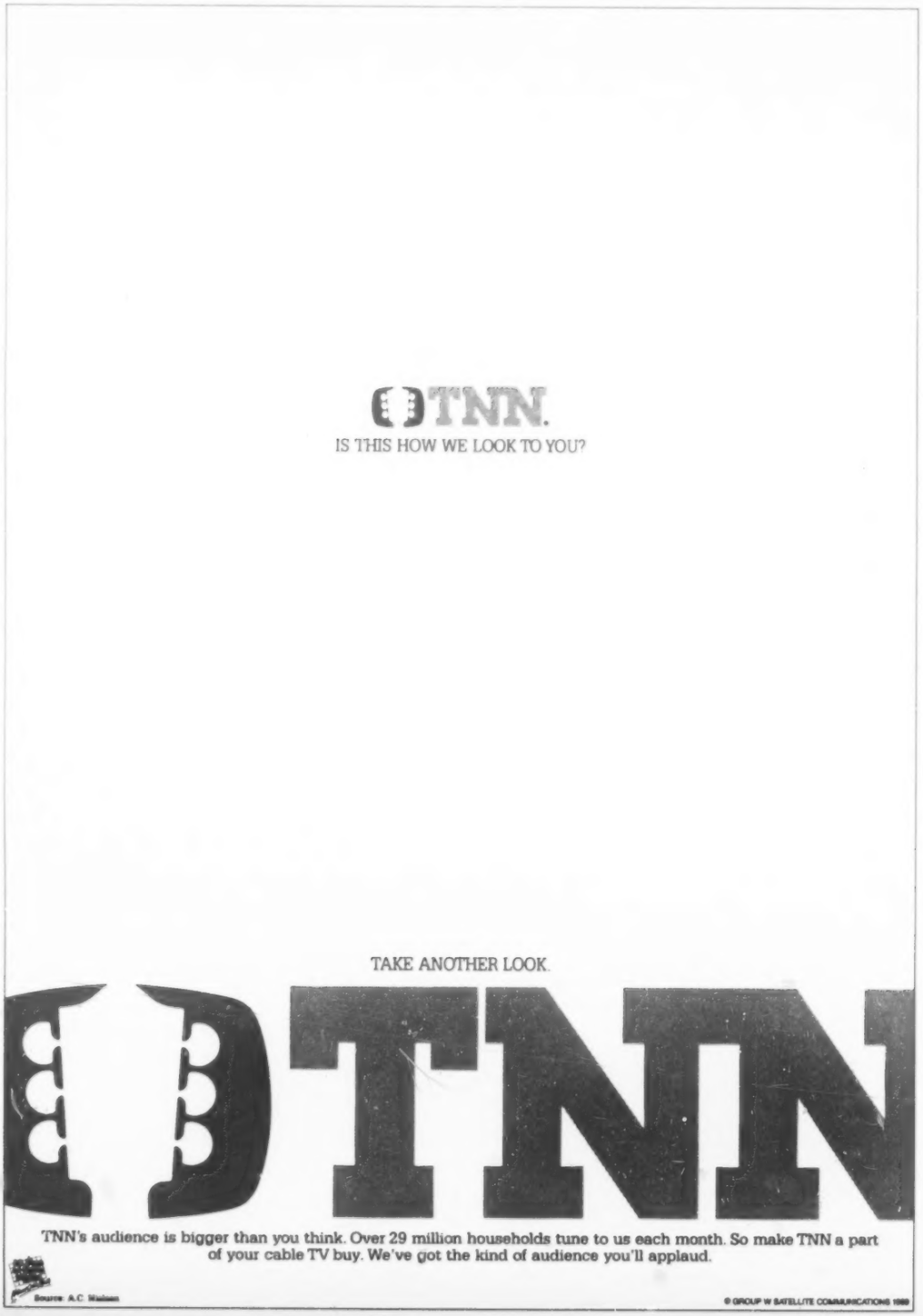
Question 11: Are cable network ratings increasing?

Overall cable ratings growth is primarily a function of an increased number of cable networks. The aggregate prime-time rating for 13 ad-supported basic cable networks measured by Nielsen during the 1984-1985 season was 5.6. Three years later, the aggregate cable rating of 21 basic cable networks grew to 8.4.

Question 14: Does cable add cost effective reach?

Incorporating cable can achieve a slightly higher net reach. But if it is acceptable to sacrifice the environment of broadcast network prime time for an increment of effective reach, this can usually be achieved with other network dayparts.

—*Wayne Walley*


TNN.
IS THIS HOW WE LOOK TO YOU?
TAKE ANOTHER LOOK.
TNN
TNN's audience is bigger than you think. Over 29 million households tune to us each month. So make TNN a part of your cable TV buy. We've got the kind of audience you'll applaud.
Source: A.C. Nielsen
© GROUP W SATELLITE COMMUNICATIONS 1989

FNN, CNBC set to battle for business

Some agency observers feel competing cable networks may have boxed themselves into too narrow a niche

By Mark Bittman

As both Financial News Network and NBC's soon-to-be-launched Consumer News and Business Channel veer away from "business-only" labels, some observers believe them to be on a near-collision course. And it is not clear whether there are enough viewers or advertising dollars to support both networks.

However, CNBC President Michael Eskridge says that in-house research indicates viewers still want more business and market-related programming. "I guess that at some point there will be a threat of saturation, but if we put our plan into effect that saturation won't bother us."

Mr. Eskridge joins FNN President David Meister and programmers at CNN, USA and other networks in the belief that any information affecting consumers' pocketbooks is welcomed by viewers. "There is no tightening up in terms of appetite for financial and business information," says Mr. Meister.

Saturation might be less of a worry if FNN and CNBC can appeal to advertisers outside the business community. FNN realized long ago that only so many subscriptions to the *Wall Street Journal* or investments in mutual funds could be sold. It has since sought—and landed—accounts such as Porsche-Audi, MasterCard, and BP America.

"Whenever you're dealing with a targeted editorial product you are by definition constrained," says Allen Banks, exec VP-media director for Saatchi & Saatchi Advertising. "There are opportunities for FNN to expand into other categories, like luxury cars, airline business for the business traveler and other high-ticket items. But those opportunities are limited."

"FNN is not a place for consumer advertising," says John Mandel, VP, director-national broadcast at Grey Advertising. "It's more like a trade magazine. They have chosen a narrow niche, and if they go after the CNBC audience they're liable to lose that niche, which is their strength."

CNBC has had the luxury of fine tuning its programming to attract advertisers before its scheduled launch date of April 17. Earlier this year, for example, it dropped plans for weekend sports coverage, deciding that market was saturated.

"CNBC is trying to look like a 24-hour 'Today' show," says Rich Forester, VP, director-broadcast at Ketchum Advertising. "And somebody like Bristol or Lever is libel to say, 'Oh, great, we can get them to do a health segment for us.' "

"If they're doing a show about buying a car, it would make sense to put tire advertising on there, or Sears Auto Center or a 10-minute oil change place," says Mr. Mandel. It is unlikely such buys would show up on FNN.

Mr. Forester and others believe the mere perception that CNBC is not a pure business channel will give the new network a competitive edge, even if its programming is similar to FNN's. "And don't overlook the credibility gained by CNBC because of NBC," he says.

Mr. Mandel, however, does not see FNN and CNBC battling to the death. "*Money* did not put *Fortune*

> ***"FNN is not a place for consumer ads. It's more like a trade magazine. If they go after the CNBC audience they're liable to lose their niche."***
>
> **John Mandel**
> **Grey Advertising**

out of business," he says.

It is difficult to pin down either network on programming. FNN has been shifting direction, trying to appeal to a wider spectrum of viewers—and advertisers. According to Mr. Meister, the moves have been successful.

FNN has attracted "scores of new advertisers" over the last few months, he says. The network is virtually assured of selling out all spot time in April, Mr. Meister adds.

Some question whether FNN's programming changes have gone far enough.

"Their programming needs to move beyond that geared to the pure financial community, the *Wall Street Journal* crowd," says Larry Gerbrandt, senior analyst and VP at Paul Kagan Associates. "CNBC is attempting to broaden the category, by going after the *Money* and *Consumer Reports* audience. It's much more middle class. Even with its new prime time programming, FNN is still geared to the executive."

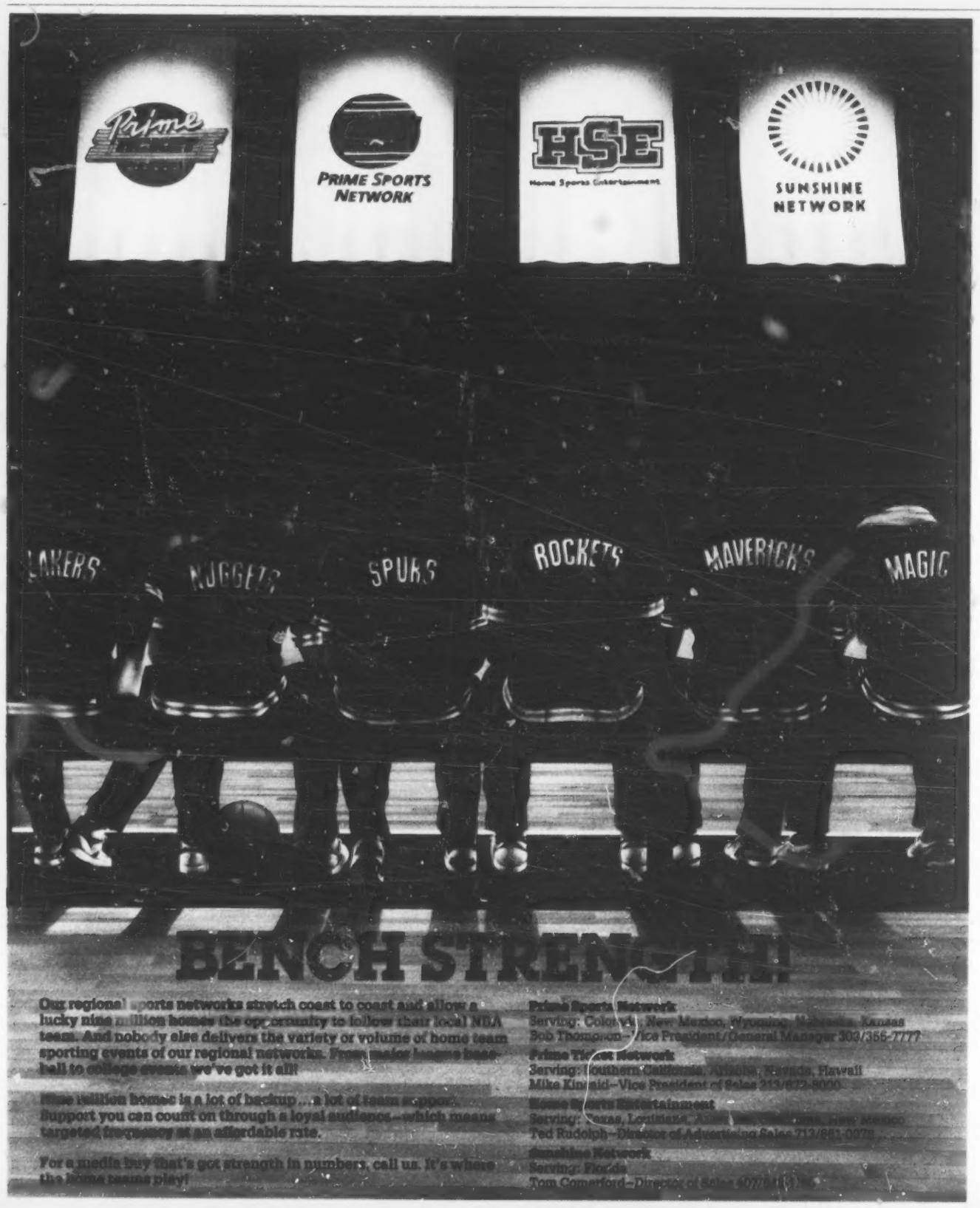
Mr. Meister disagrees, admitting that while "Our demographics are very much ahead of average household income, our audience is not elite."

To make business and financial news more palatable to a more general audience—although that information will be provided for those who need it—the current CNBC plan is to focus on news about spending money.

The thrust will be personal finances, real estate, healthcare, education. In short, programming will consist of items that typically are not presented on standard business programming, and that will appeal to a broader audience than those interested in the market's perfor-

(Continued on Page S-14)

Mark Bittman is a free-lance writer and a frequent contributor to Special Report.


Prime
PRIME SPORTS NETWORK
HSE
SUNSHINE NETWORK
LAKERS
NUGGETS
SPURS
ROCKETS
MAVERICKS
MAGIC
BENCH STRENGTH
Our regional sports networks stretch coast to coast and allow a lucky nine million homes the opportunity to follow their local NBA team. And nobody else delivers the variety or volume of home team sporting events of our regional networks. From major league baseball to college events we've got it all!
Nine million homes is a lot of backup...a lot of team support. Support you can count on through a loyal audience—which means targeted frequency at an affordable rate.
For a media buy that's got strength in numbers, call us. It's where the home teams play!
Prime Sports Network
Serving: Colorado, New Mexico, Wyoming, Nebraska, Kansas
Bob Thompson—Vice President/General Manager 303/355-7777
Prime Ticket Network
Serving: Southern California, Arizona, Nevada, Hawaii
Mike Kinsaid—Vice President of Sales 213/672-8000
Home Sports Entertainment
Serving: Texas, Louisiana, Arkansas, Oklahoma, New Mexico
Ted Rudolph—Director of Advertising Sales 713/681-0378
Sunshine Network
Serving: Florida
Tom Comerford—Director of Sales 407/[illegible]

'Any time, any place'

Turner launches pre-emptive strike in news war as CNBC tries to break through by making business fun

By Wayne Walley

Let the cable news wars begin.

With NBC's Consumer News and Business Channel launching April 17, Turner Broadcasting's CNN will go on the offensive with its most expensive ad campaign ever.

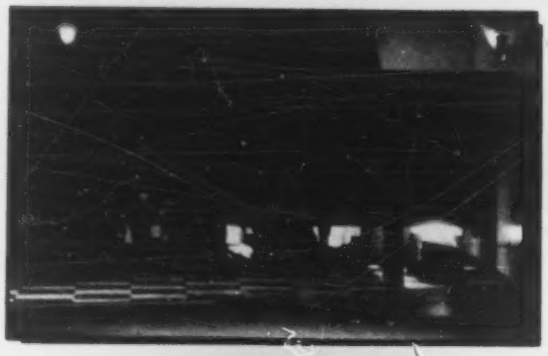
The cable channel plans to spend at least $2.3 million for a three-month combination print, radio, on-air and direct-mail effort beginning the third week in April. RET Advertising, an in-house division of Turner Broadcasting, is the agency handling the campaign.

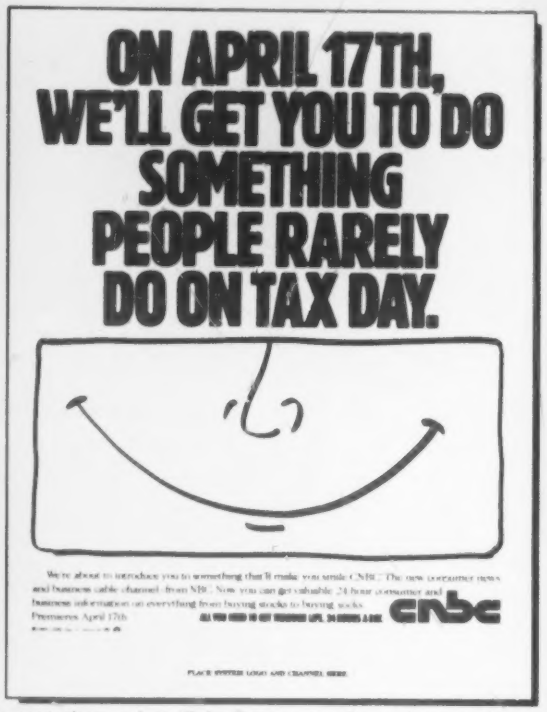
"The idea is to bring CNN to a new plateau," says Dave Williams, the cable network's new VP-marketing. "The goal is to make people more familiar with CNN and have them integrate us into the regular TV viewing habit as opposed to tuning in when a story breaks. We want to give them a reason to watch at any time of day."

Mr. Williams says the campaign's timing—so near CNBC's launch—is coincidental. But Turner Broadcasting Chairman Ted Turner often has voiced his opposition to NBC gaining a foothold in cable TV and this could be part of a subtle battle plan.

A less subtle element—the proposed acquisition of Financial News Network to complement CNN and battle CNBC—fell by the wayside when the TBS board of directors did not back the move.

CNN positions itself as the place for answers to the world's hard questions in new advertising.





CNBC agency's, Penchina, Selkowitz, uses a humorous ad touch to separate the new channel's business coverage from CNN and FNN.

CNBC starts out at a major disadvantage to CNN, reaching just 13 million TV households compared with CNN's 50 million subscribers.

In these days of filled channel capacity for a number of cable operators, the 13 million count for CNBC's launch is impressive, but a major stumbling block to the service's future growth is the perception that CNBC will merely double what CNN and the Financial News Network—with its 31 million subscribers—already deliver.

Both Tom Rogers, president of NBC Cable, the network division in charge of CNBC, and Michael Eskridge, president of CNBC, say the new entry will not cover the same ground.

They say FNN only scratches the surface of CNBC's target areas, and CNN focuses more on hard news while CNBC's programming will consist of more consumer-oriented features.

As the CNBC sales team continues to try to convince more cable operators to carry the service, Mr. Eskridge has hired New York-based Penchina, Selkowitz, now an independent subsidiary of D'Arcy Masius Benton & Bowles, New York, as its first agency.

Their charge: Create humorous spots that show the consumer CNBC is different from CNN and FNN.

"Our reputation is witty. We've done wild and crazy things," says Steven Penchina, the agency's chairman-creative director. "[Mr.] Eskridge said, 'Remember what you did with this, and this and this? Give me all that and more. That's the starting point.' They want to break the mold of business services."

The first stage of what the agency calls a multimillion-dollar campaign, started March 20 using TV spots for cross-channel promotions and ads in cable guides for systems carrying the channel.

Mr. Penchina expects the campaign to expand to outdoor, local magazines and possibly national spot TV once the service gains a foothold.

Each of the five initial TV spots focus on a different aspect of everyday life: shopping, buying stocks, office stress, financial advice and food.

Each shows how a consumer can get into trouble getting "expert" advice.

"The idea is to watch CNBC for the real expert advice," says Arthur Selkowitz, agency president.

"This is not a copy-cat channel. It has a pocketbook perspective of how to get more out of your money. A very much how-to informational service," he says.

CNN's three-month effort, according to Mr. Williams, is designed to remind viewers the news channel has the answers to today's questions.

In May, a topical radio campaign that ties into a "questions and answers" format will start with that night's CNN topics fax-delivered to each radio station.

"We know people tune in to us for breaking news stories, but we are also an informational resource covering everything from finance to fashion and health to Hollywood," Mr. Williams says.

"We need to make people more aware of it," he says. □

FNN, CNBC

(Continued from Page S-10)

mance, says Mr. Eskridge.

FNN, which has about 31 million subscribers—CNBC has 13 million at launch—concentrates on business news and the stock markets but has recently stressed its coverage of "the entire spectrum of personal money management," perhaps in response to perceived threats from CNBC and other consumer-oriented business cable programming.

Although FNN's ad revenues are up over last year, according to Mr. Meister, a slump in financial advertising is expected.

"Since a lot of financial advertising sells ongoing products—newsletters or investments—the growth is bound to slow," Mr. Meister says. "So about two years ago we decided to make the shift from the financial advertising community to more middle-of-the-road advertisers who were attracted by our audience."

We're focusing on lead business stories—matters that improve life in the financial sense, says Mr. Meister. Those FNN stories are the personality profiles that CNBC calls "a vital part of programming."

"One of the advantages of financial programming on cable," says Mr. Gerbrandt, "is that it tends to draw a unique segment: upscale, professional men and women who are busy, don't watch a lot of TV and are therefore hard for advertisers to reach."

As the networks jockey to distinguish themselves from each other—and, in the case of CNBC, from CNN—will viewers soon be finding too much financial news?

And will advertisers pick and choose until FNN and CNBC are forced to cut spot prices to the bone?

"We decided to make the shift from the financial advertising community to more middle-of-the-road advertisers."

David Meister, FNN

"I guess that at some point there will be a threat of saturation, but if we put our plan into effect that saturation won't bother us."

Michael Eskridge, CNBC

"At this point FNN's programming really cannot support much non-business advertising," says Mr. Forester, who currently buys "almost no" time on FNN and none on CNBC but believes that either could be a good buy.

"CNBC is more mass," says Mr. Mandel.

"FNN is a different world, since it's rare to have business-to-business budgets that are television. But that might change," he says.

In a head-to-head battle, it is not clear whether the established FNN or the GE-backed CNBC will dominate.

"The marketplace will quickly tell everyone whether it's too much," says Mr. Gerbrandt. "We'll know right away from ratings whether the advertisers will support it and consumers watch it."

Iris Shokoff, a Manhattan media buyer who runs a company under her name, believes advertisers will enjoy the increased competition. "Like magazines, CNBC and FNN will have to fight for market share. But since the demographics are so upscale on these networks, it will never be oversaturated from the advertisers' point of view. And if the networks price spots reasonably, they'll get their share of the market," she says.

"There may be enough to keep both networks happy, depending on what programming looks like," says Mr. Banks.

"But no one knows what the product is or how things will evolve. They may have objectives, but their focus may well change because different needs may exist than the ones they perceive. We are dealing with networks that are really in their infancy." □

View from the hill:

Cable's top issues

As more and more congressmen's constituents have wired homes, legislators are listening with interest to the topics of dispute within the industry; here are four that head the list

Nervous constituents fear rate hikes

By Steven W. Colford

The most sensitive issue for the cable industry—at least as far as its customers are concerned—is rates, says John Wolfe, director, public information, National Cable Television Association.

The cable industry and certain lawmakers disagree over what has happened to consumer cable rates since deregulation.

There's been no groundswell of support to re-regulate, Mr. Wolfe says. "Cable still is the best consumer buy. Increases help create new services."

But some legislators think rate hikes just go toward improving cable operators' bottom lines.

Sen. Howard Metzenbaum (D., Ohio), for example, is expected to re-introduce legislation to re-regulate cable rates. The chairman of the Senate Antitrust subcommittee would give more regulatory authority to local municipal governments.

In the House, Rep. Edward Markey (D., Mass.), chairman of the House Telecommunications subcommittee, is expected to conduct oversight hearings this year to review the state of the cable industry since its 1984 deregulation.

Vertical integration's lightening rod

The proposed Time Inc.-Warner Communications merger has not gone unnoticed on Capitol Hill, and considerable congressional review of it is expected.

Substantial network TV review also is guaranteed, as the Big 3 seek to stave off vertical integration of TV programming and distribution.

The three networks are seeking to loosen 1980 Department of Justice orders limiting them to produce no more than five hours of prime-time programming. The networks say government approval of the Time-Warner deal would leave the resulting entertainment company a prime example of a vertically integrated giant, possessing unlimited programming ability as well as a major distribution system to display that programming.

Rep. Jack Brooks (D., Texas) already has chaired hearings on the merger.

Sen. Metzenbaum's quick response to the proposed—and later abandoned—Turner Broadcasting Co. bid to gain control of Financial News Network indicates the scrutiny the Time-Warner deal will receive. It also illustrates increased congressional concern that power is concentrating in fewer cable TV players' hands. Sen. Metzenbaum sent a letter to the Justice Department, stating that Turner's acquisition of FNN would have encouraged approval of the Time-Warner merger.

"Time-Warner will serve as a lightning rod, and all media will end up being looked at," Mr. Wolfe says.

"But we think that vertical integration has definite benefits. If operators weren't able to invest in programming, such channels as Nickelodeon or C-Span wouldn't exist," he says.

Hold the phone

In the long run, perhaps the most pressing issue for the cable industry will be the threatened invasion of the telephone companies.

The Federal Communications Commission has indicated a willingness to listen to arguments in favor of allowing phone companies to provide cable service in their phone service areas.

The cable industry desperately wants to keep the phone companies from providing programming. Phone companies currently can build cable systems, but cannot be involved in programming.

The National Cable Television Association argues the phone companies have a history of anti-competitive behavior and that lifting the existing telephone company ban would expose consumers to a potential monopoly of their information services.

On Capitol Hill, there is some concern, especially by Sen. Metzenbaum that cable has benefited too much from its deregulation by Congress and the FCC.

The cable industry argues that phone companies could undercut existing cable prices and make up any lost revenue on higher phone rates.

The phone companies would hold one distinct advantage in lowering costs. Delivery of programming via phone lines would eliminate the costly necessity of digging up streets and lawns to lay new cable.

Must carry's newest forum

Broadcasters want to make certain that cable operators don't get too greedy with the channel selector.

The broadcasters want some assurance that local over-the-air outlets will have channel space on local cable systems; cable operators do not want to be locked into any deal that might sacrifice cable channels for broadcast.

Two previous attempts to resolve the must-carry dispute were tossed out by the courts—once on the basis of being unconstitutional, the other after it was decided that the Federal Communications Commission had not demonstrated a compelling need.

The cable industry is working out some sort of must-carry agreement that cable operators, broadcasters and public TV find acceptable.

Negotiators for the cable and broadcast industries continue to meet, hoping to reach an agreement before the FCC or Congress resolves the issue for them.

"This certainly is a high priority for us, but not an issue of contention," Mr. Wolfe says. "We'll sit down and work out a rule with broadcasters that will be put into law. We think that in all likelihood this issue should be resolved through continuing discussions. In the meantime, almost without exception, cable operators continue to carry signals of local broadcasters."

But Congress apparently is not too certain. Rep. John Bryant (D., Texas) already has introduced the "Cable subscriber protection act of 1989." The legislation would make compliance with new must-carry rules a factor in approving licenses.

A national problem

Local cable's weak link remains a paltry $29 million in national ad revenue by marketers; lack of audience data, high costs and logistic fuel the problem

By Curt Schleier

See national spots walk

Why don't national spots run to cable television?

Is the cable industry at the elementary school level in meeting the needs of national and regional advertisers that want to use local cable?

Yes. But there is also a widespread consensus that the industry is moving closer to graduation day, although that day is still a few years away.

National and local spot ad revenue for cable systems hit $363 million in 1988, according to Paul Kagan Associates. Of that total, only $29 million—less than 8%—was generated by national advertisers.

That is infinitesimal compared with the estimated $7 billion spent on local broadcast spots. However, $29 million still is close to 10 times more than the $3 million national advertisers spent on local cable spots in 1985.

Ad agency media executives contend they place spot advertising despite numerous obstacles. "The problem I see with national spot cable are logistical, back-office related, not strategic," says David Verklin, senior VP-media, Hal Riney & Partners, San Francisco.

"We try not to let the difficulty in trafficking and making the actual buy dissuade us from buying," says Tom Winner, exec VP-media director of William Esty Co., New York. "We just hire more people, take more time. We're more than willing to do that."

Agency media executives encounter four significant problems when considering spot cable: Lack of reliable local audience data, generally higher costs than comparable spots at broadcast stations, major markets that still do not have the cable penetration advertisers require, and significant procedural problems in placing spot advertising.

The cable industry recognizes the problems. "These are the things the cable industry has been working on to improve and correct," says Robert Alter, president of the Cable Advertising Bureau.

"We're effective as a local medium. . . . As we move out from the purely local market and present cable as a medium for regional and national advertisers, the rules change. We're starting to adapt," he says. "That's the goal we're working toward."

Mr. Alter points to research as the most complex problem. The industry claims that diaries originally were designed for one-TV homes with four or five choices on the dial. Today, with multiple sets and 36-plus channels, diaries "penalize cable by 50%," he says.

Even Sara Erichson, marketing coordinator for Nielsen Homevideo Index, concedes that diaries tend to "understate cable viewing."

The household meters Nielsen has in 17—soon to be 21—major markets provide local overnight figures, but do not currently report cable results separately. Local cable systems are lumped together in a category called "All Other," which includes stations from neighboring markets with broadcast signals that reach that Area of Dominant Interest.

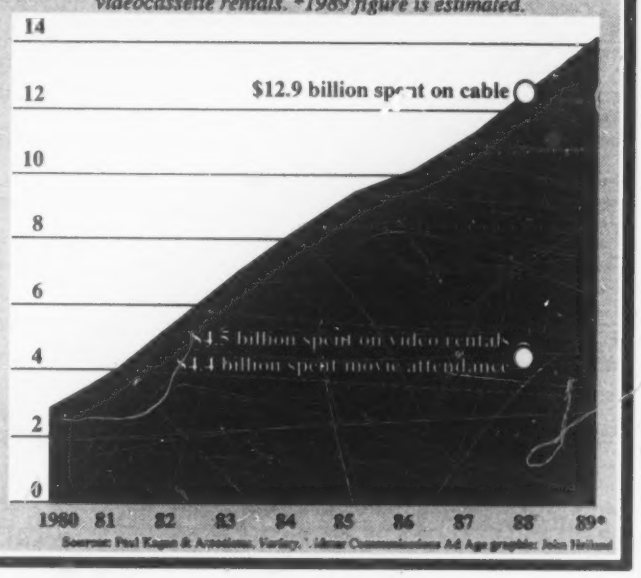
Because network cable programming is usually carried on more than one system in larger markets, it becomes difficult to rate a particular cable program locally, according to a Nielsen spokeswoman. Overnight ratings thus are limited to local stations. Locally originated cable programming can be listed with the broadcast stations, but must score at least a 2.5 cumulative rating in the area.

For an added $25 a day subscribers receive a breakout of the "All Other" category. But even that minimal fee can become expensive for agencies seeking multiple-market breakouts.

Curt Schleier is a free-lance writer and a frequent contributor to Special Report.

Cable bigger than the box office

*Spending on cable programming shown in billions of dollars. In 1988 Americans spent more than 2 1/2 times as much on cable programming ($12.9 billion) than on movie attendance or videocassette rentals. *1989 figure is estimated.*



Sources: Paul Kagan & Associates, Variety, Adweek Communications Ad Age graphic: John Holland

Nielsen offers another service called Cable Audience Profile. It uses local diary information and national people-meter ratings to create an index of local cable viewing habits that can be compared with national levels. If the "Larry King Show" scores a 125 index in Hartford/New Haven, it means that viewing levels there are 25% higher than the national level.

Nielsen provides an index for 640 systems and 120 interconnects. But Larry Gerbrandt, VP, senior analyst at Kagan, says CAP's effectiveness is limited "because it is issued only twice a year, and isn't really a rating."

A simple answer is not apparent. CAB has a committee on local audience measurement. "We're reaching in every direction we can to get local measurements and techniques," Mr. Alter says.

In the interim, Loretta Volpe, senior VP-media programming and marketing services for Griffin Bacal, New York, sums up the consensus: "You don't really know what you're getting."

"It's a pain in the neck. We end up guessing," says Mr. Winner. "We have to interpolate from national information, guesstimate and end up buying on little more than gut feelings. But, if you feel the medium has some intrinsic value, you take a chance."

Even if research was readily available, cost would remain a major concern. Media executives say that the cost of covering an area of dominant influence with spot cable often is 50% higher than buying a broadcast spot in the same market during a highly rated show like "Wheel of Fortune."

When buyers want ad time in multiple markets, the disparity becomes even more obvious.

"Once you've hit somewhere between eight and 20 markets—and that number is more like eight than 20—it's more efficient to buy [cable] network even though you may be wasting a substantial portion of the buy," says Jack Myers, president of Jack Myers Marketing Communications.

"One of the realities of the cable business is that it is an extremely strong local retailing medium," he adds. "Because of its advantages in this area, cable companies can charge a premium to local retailers. So there's no reason for the local system to give up inventory to national advertisers, particularly if it means lowering costs."

Concerning the issue of accessibility, the cable industry makes both the point that national penetration—currently 54.8%—continues to grow. But they maintain penetration is not the only issue. Cable households are more upscale than the broadcast TV population, according to the CAB, and the cable population can more readily be sliced up demographically and geographically.

Both are important points, says Ms. Volpe, adding that local cable becomes more of a factor as marketers look to segment markets.

Another media executive, who asked not to be named, says if cost were not a factor he would use cable as a kind of visual direct mail, placing spots by ZIP code, not by ADI. "Right now, that's kind of Star Wars thinking and is probably at least five years away."

"The reality is that it costs the agency just as much money to place a $100 order as it does to place a $100,000 order," he says. "When cable guys get up to speed and come up with some kind of computerized availability system, this will take off."

The situation is getting better. "It couldn't get any worse," says Mr. Winner.

"Two years ago, it was virtually impossible to do business with local cable. Nothing worked. It just wasn't worth the effort. But that has changed," he says.

The number of interconnects—where two or more cable systems in a market link themselves together to offer ad inventory—has grown rapidly to more than 90.

Several national reps, such as National Cable Advertising and the CNI division of Rainbow Advertising, also have emerged. Bob Fennimore, CNI president-chief operating officer, has put in a Jefferson Pilot software billing system, which many advertising agencies use and facilitates billing procedures. NCA has developed a data base called CableTrack for every cable system in the country that inserts commercials, says Bob Williams, president and founder.

"The cable industry was really started by technicians," says an industry observer. "They intended to make their money on subscriber revenues. Selling spots was the furthest thing from their mind."

Since then minds have changed.

As proof, Mr. Fennimore says in the first quarter of 1988—just after Rainbow purchased CNI—the company monitored its delivery of commercials; it was 72%. Now it is 96%.

Quantifying improved delivery rates like that will help cable take a few more crucial steps before national spots run. □

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Pay-per-view reserves front-row seat in programming game

Once heralded in '85 as cable's ace in the hole, PPV needed better technology and is finally making in-roads

By Scott Donaton

The fledgling pay-per-view industry, trumpeted in 1985 as a massive new source of revenue for the cable industry, is beginning to live up to its promise.

Thanks to new, simple-to-use ordering procedures and high-quality event programming, more cable operators are offering PPV to subscribers and consumers are buying it, which could assure PPV's future.

The cable-delivered medium's growth may come at the expense of the home video retailing business, which could get squeezed between pay-per-view's increasing clout and movie studios' need for more revenue. PPV also may come back to bite the medium that has fed it, competing with basic and pay cable—along with the Big 3 networks—for top sporting events, music concerts and other original programming.

PPV currently is available in only 9.3 million homes, or 18.8% of the nation's 49.5 million cable households, according to Paul Kagan Associates. However, that figure should rise to more than 46 million by 1997. Kagan predicts revenues will escalate to more than $4 billion within eight years, up from an estimated $348 million in 1989.

A key ingredient in the PPV evolution is original programming. Its early reliance on boxing and wrestling in addition to movies fueled criticism that PPV would always suffer from limited programming. Expansion into other areas, such as Olympic programming, mega-concerts and series made for PPV are silencing the naysayers.

PPV executives believe they will soon have the financial resources to compete with basic services, pay cable channels and the Big Three networks for programming rights.

"The Tyson/Spinks fight on pay-per-view brought in $21 million in revenue from a small universe [600,000 homes ordered the heavyweight bout at $35 each]," says Hal Krisbergh, president of Cable Video Store, the third-largest PPV network with more than 2 million homes accessed. "By comparison, the Super Bowl on NBC generated $18 million for the NFL. Can you imagine if the [PPV] universe were larger?

"Pay-per-view today can compete for any major sporting event that exists," he says. "How far off is the Super Bowl? The World Series?"

Some industry observers believe major sporting events will not be able to ignore PPV in the future because of the revenue potential; others say the professional sports leagues will not consider PPV for fear of alienating fans unable to see an event historically available to viewers for free.

PPV insiders refer to the recent deal between NBC and Cablevision to place an unspecified number of hours of the 1992 Summer Olympic events on PPV as a harbinger of future growth.

Other recent PPV programming leaps include a mega-concert featuring Frank Sinatra, Liza Minnelli and Sammy Davis Jr.; expanded sports coverage, including auto racing and baseball in San Diego; a new deal between Request Television and DIR Broadcasting to produce and distribute a monthly series of rock concerts—the first regularly scheduled PPV network series.

"PPV hasn't had an effect in the sense you can measure in terms of unit sales from suppliers to retailers."

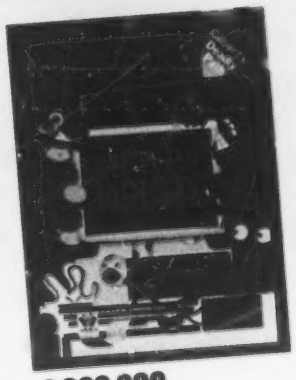
John Gaffney
Video Business

"It's in the interest of all parties to have the studios receive another ancillary revenue stream."

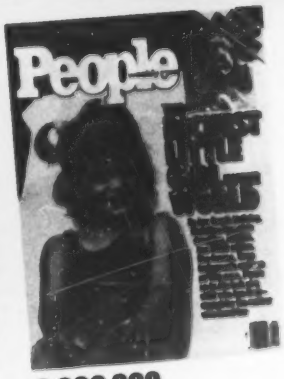
Jeffrey Reiss
Request Television

LARGE

5,500,000



4,300,000



3,000,000

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Circulation: Rate Base

PPV's next step is to find its own niche in the movie distribution chain. That means dealing with such hot topics as whether the 30 to 60 day advantage home video now enjoys over PPV in terms of movie distribution should be narrowed and whether to adopt anti-copying technology to prevent consumers from taping PPV movies.

Many pay-per-view executives say they are experimenting with anti-copying but will discontinue it if buy rates dip as a result. As for the window controversy, most believe the studios either will eliminate or reverse the window in pay-per-view's favor as the industry grows.

"As pay-per-view gets more powerful, it will have more leverage with the studios," says Jim Boyle, director of programming publicity for the National Cable Television Association.

The studios will need the money from pay-per-view in the 1990s, says Jeffrey Reiss, president of Request Television, the No. 2 PPV network with 4.5 million homes accessed and two channels. Movie producers "are going to have to resist pressure from home video retailers," he adds.

"It's in the interest of all parties to have the studios receive another ancillary revenue stream. It's essential to the continued health of Hollywood. Without it, they cannot cover the rising costs of production."

Home video sources insist that PPV has not yet affected their business adversely. "It hasn't had an effect in the sense you can measure in terms of unit sales from suppliers to retailers," says John Gaffney, editor of *Video Business*. "It might affect rental activity."

Home video rentals usually stall about 30 or 60 days after release, about the time they hit PPV distribution.

"But how much of that is due to pay-per-view and how much is due to the fact that the hot rental period is just about over?" Mr. Gaffney says.

"So far, in the markets we're in, we haven't seen any measurable effect," says Vans Stevenson, director-PR for Erol's, the nation's largest independent home video retailer with 190 stores. "[VCRs] are in 77 million TV households, pay-per-view is in 9 million. I don't think it will ever be the threat that some people think it will be."

Mr. Reiss insists pay-per-view can coexist peacefully and profitably with pay cable and home video.

"It's the age old story of the entrenched media trying to forestall the day when the new media gathers a larger share of market," he says. "But in no way will either home video or pay TV be seriously damaged. I think the rivalry is overblown."

The history of movie distribution indicates that all involved players will survive, says Mr. Stevenson.

Pay cable executives say the same scenario will emerge in their business. "I don't think there's been significant competition [between pay-per-view and pay cable]," says Thayer Bigelow, president of HBO, the largest pay cable service. "I think we can coexist. We already coexist with VCRs quite nicely."

James Heyworth, former HBO president and current president of Viewer's Choice, the largest PPV network with two channels and nearly 5 million homes, agrees. "I tend to think pay-per-view is an additive," he says. "It is another consumer choice that tends to broaden the audience rather than cannibalizing either subscription pay or home video." □

Impulse eases growing pains

Pay-per-view has not yet paid its dues. Although most industry insiders expect it eventually to play a major role in the media mix, it will be some time before it has the clout to challenge for more top-flight original programming and battle home video.

"[PPV] is just coming out of its early childhood. It's not yet even a robust adolescent," says Jeffrey Reiss, president of Request Television, PPV's second largest network. "The cable industry just last year began to adopt automated ordering technology," he says. "Until that system is fully in place and cable operators are using it on a regular basis, the business isn't taking off in the big way everybody expected it to."

PPV TV was launched nationally amid much fanfare in late 1985 as the cable industry's savior in the battle with VCRs and videocassettes.

But the low number of homes equipped to receive PPV services and low buy rates—the percentage of those homes that place a PPV order—seemed destined to doom the industry before it ever got off the ground.

Consumers are attracted to PPV because it can instantly deliver new movies or exclusive special events directly into their living room.

But when PPV was introduced, the ordering procedure was costly for cable operators and time-consuming for viewers. To order a movie or event, the consumer had to place a phone call to the cable company and order the movie using identification and account code numbers.

But the new technologies just being adopted should make the service more user-friendly and increase consumer acceptance and orders.

"Until [automated ordering] is fully in place . . . the business isn't taking off in the big way everybody expected it to."

Jeffrey Reiss
Request Television

Under the old system, buy rates for PPV were only 5% to 10% per month, according to Hal Krisbergh, president of Cable Video Store, the third-largest PPV network. That meant on the average, less than one out of every 10 PPV households ordered at least one movie or event each month.

Continuous technological advances since 1985 have helped alter the medium's potential for the better.

The introduction of an Audio Response Unit enabled computers to process calls to the cable company. Although the system was better for the cable operators, the consumer still had to make a phone call and punch in an account number and the movie or event to be viewed.

Next came Automatic Number Identification in which a phone call to a computer automatically traces the phone number, links it to an account and processes the order.

"Impulse" technology—the most recent ordering procedure—requires viewers to press two buttons on the cable box or remote control. This advancement has resulted in a tenfold increase in buy rates, says Mr. Krisbergh.

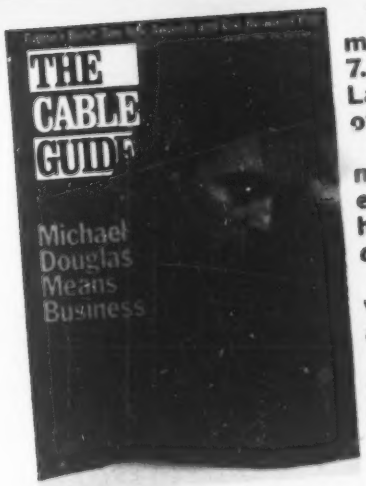
Using primitive technology, he says PPV revenues for cable operators totaled about 20¢ per home per month compared with about $25 per month from other basic and premium services combined.

Impulse technology saved pay-per-view, according to Mr. Krisbergh. "Revenues rose to $4 to $6 per home per month," he says.

Factors making PPV successful are "Consumer friendly order-entry systems, continued improvement in the quality of programming and continued improvement in the marketing and promotion of pay-per-view to the consumer," says James Heyworth, president of Viewer's Choice, the largest PPV network.

—Scott Donaton

X-LARGE



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One-stop shopping causes furor

Advertisers, cable operators clash on making ad time buys more efficient across multiple systems

By Jim Benson

A call for top multiple system operators to peddle their own systems, rather than continue to rely on interconnects, has come under sharp attack from the cable industry.

Leading MSOs "are missing out on an opportunity" to profit from the constant stream of mergers and acquisitions that have increased their clout, says George Hayes, senior VP-group media director for McCann-Erickson, New York.

The top 10 MSOs control about 45% of the market making them cable's equivalent of the Big 3 commercial TV networks.

"From an advertiser's standpoint," he says, "it is very difficult to buy cable locally. When consolidation takes place, it would be much more efficient for the MSO to go out and peddle its systems."

But cable industry officials dismiss Mr. Hayes' arguments as too simplistic and representing a basic misunderstanding by advertisers of how the cable business operates.

As an example, they cite Mr. Hayes' desire to buy the top 10 markets directly from an MSO such as Tele-Communications Inc. or the proposed Time-Warner cable system rather than dealing with each interconnect individually.

"If an advertiser wanted to buy in the top 10 markets [on an MSO], there is not one MSO that could deliver every market it wanted," says Ron Fischmann, VP-director of local advertising sales for the Cabletelevision Advertising Bureau.

TCI, for example, "probably has fewer systems in large markets than any other MSO," he says.

Advertisers could reap the benefits that Mr. Hayes seeks by zoning their buys on any of the 85 existing interconnects around the country, Mr. Fischmann says. The interconnects offer special rates that permit advertisers to zero in on the systems of their choice.

But there are serious flaws with the interconnects, and national advertisers are concerned about the placement of commercials, says Mr. Hayes. "I don't want poor quality car commercials running next to my spots."

Top MSOs have the clout and wherewithal to install the necessary equipment to monitor commercial placement, he says. Moreover, clients aiming for affluent consumers would have better results buying directly from MSOs since they have the most desirable cable systems in better neighborhoods, Mr. Hayes says.

Mr. Fischmann insists, however, that a buy on an MSO system does not guarantee the spots will reach demographically desirable viewers.

Mr. Hayes sees only benefits emerging from a national sales effort by larger MSOs.

MSOs generate enough advertising revenue to develop their own programming, and they would no longer be as dependent on cable networks for quality shows, he says.

The MSOs do not see it that way.

TCI, the nation's top MSO with nearly 6 million subscribers, has no intention of abandoning regional sales—at least not in the near future, says Ron Loose, TCI's manager-advertising & sales.

The No. 2-ranking MSO, Time Inc.'s American Television & Communications, will retain its divisional ad sales units even as its subscriber base—when combined with Warner Cable Communications—will reach nearly 5.4 million, the company says.

Sharon Armbrust, a senior analyst for Paul Kagan Associates, says the reluctance of the cable industry to have MSOs sell spots in the manner that advertisers desire is understandable. "They're still trying to put the interconnects together, not take them apart," she says.

The rift between advertisers and the cable industry over the MSO issue indicates more than miles separate Madison Avenue from Denver, home to most major MSOs.

Advertisers' alleged lack of knowledge about the inner workings of the cable industry comes at a time when system operators are changing their emphasis from building franchises to general business concerns of marketing, promotion and sales.

During this transition period, many of the smaller MSOs such as 58th-ranked Triax Communications, have made a business out of buying mom-and-pop operations for an average of about $2,200 per subscriber—prices range from $2,000 to $2,700 in top markets, according to Steve Effros, head of the Community Antenna Television Association, the group representing the small cable operators.

Ralph Morrow Jr. founded and built Catalina Cable TV, Catalina Island, Calif., in 1984. He runs his enterprise with five employees and 1,000 subscribers.

As a typical "mom and pop" system, Mr. Morrow often is contacted to sell his operation. The highest offer was $1.75 million or $1,750 per subscriber. But he says he is not ready to sell.

Concurrently, there has been consolidation on the upper end of the MSO scale, with the Time-Warner merger the most dramatic example.

The industry, Mr. Effros says, will be left with "five or 10" big MSOs controlling the wired homes. The top 10 MSOs reach more than 20.5 million out of a cable universe of 46.3 million, according to figures from Paul Kagan Associates.

Mr. Effros says the smaller independent cable operators will continue to thrive because "it's more efficient for small operators to start new builds than large companies."

Still, Mr. Hayes remains unconvinced, believing the future of cable advertising lies with the huge MSOs' ability to generate ratings and demographics. The cable industry's current stance on advertising "resembles the independent stations 25 years ago," he says. □

Jim Benson is a Los Angeles-based free-lance writer.

Turner continues turn at top

Top cable networks by gross advertising billings ($000,000)

Network	1989	1988	% change
1. Turner Broadcasting System	$244.1	$230.5	5.9%
2. ESPN	173.5	147.0	18.0
3. Cable News Network	164.5	143.0	15.0
4. USA Network	137.0	109.6	25.0
5. MTV Music Television	93.0	80.0	16.3
6. Lifetime	85.3	68.2	25.1
7. The Nashville Network	83.5	72.5	15.2
8. CBN	68.6	55.3	24.1
9. Nickelodeon	42.0	35.0	20.0
10. Turner Network Television	27.2	0.6	4,433.3

Note: All figures estimated. TBS estimates do not include Atlanta market billings, estimated at $21 million in 1989. CNN figure includes Headline News billings.

Source: Paul Kagan Associates

ESPN picks up programming tab

Programming expenses of top 10 cable networks ($000,000)

Network	1989	1988	% change
1. ESPN	$155.0	$140.0	10.7%
2. Cable News Network	125.0	115.0	8.7
3. Turner Broadcasting System	115.0	100.0	15.0
4. USA Network	113.0	86.0	31.4
5. The Nashville Network	63.0	51.0	23.5
6. Lifetime	56.5	41.0	37.8
7. MTV Music Television	55.0	42.5	29.4
8. Turner Network Television	51.0	10.0	410.0
9. CBN	42.6	33.0	29.1
10. Nickelodeon	40.0	35.0	14.3

Source: Paul Kagan Associates

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Top 25 multiple system operators

By total number of basic subscribers

Rank	Multiple system operator	Basic subscribers	Date
1	Tele-Communications Inc.	5,977,790	(12/88)
2	American Television & Communications Corp.	3,900,000	(12/88)
3	Continental Cablevision	2,302,000	(12/88)
4	Storer Cable Communications	1,516,623	(12/88)
5	Warner Cable Communications	1,488,720	(12/88)
6	Cox Cable Communications	1,465,245	(12/88)
7	Comcast	1,410,000	(12/88)
8	UA Cablesystems	1,339,729	(10/88)
9	United Cable	1,251,884	(12/88)
10	Cablevision Systems Corp.	1,140,014	(11/88)
11	Newhouse Broadcasting	1,123,634	(12/88)
12	Viacom Cable	1,114,500	(12/88)
13	Jones Intercable	1,090,731	(12/88)
14	Heritage Communications	1,078,085	(12/88)
15	Times Mirror Cable TV	992,000	(12/88)
16	Sammons Communications	853,868	(12/88)
17	Century Communications	774,439	(12/88)
18	Cooke Cablevision	692,790	(12/88)
19	Adelphia Communications	682,000	(12/88)
20	Paragon Communications	678,000	(12/88)
21	Falcon Cable TV	630,000	(12/88)
22	Cablevision Industries	600,870	(11/88)
23	TeleCable Corp.	560,000	(12/88)
24	Centel Cable	558,399	(11/88)
25	Rogers Cablesystems	529,708	(12/87)

Source: Cabletelevision Advertising Bureau.

Top 25 cable systems

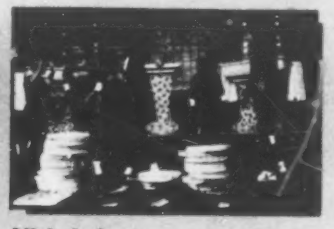
By total number of basic subscribers

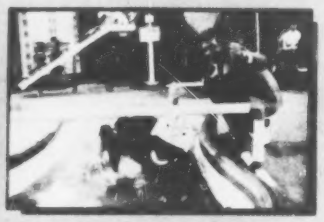
Rank	Location (operator)	Basic subscribers	Date
1	Woodbury (Long Island), N.Y. (Cablevision Systems)	311,107	(12/88)
2	San Diego (Cox Cable)	284,343	(3/88)
3	Manhattan, N.Y. (ATC)	245,000	(3/88)
4	San Antonio, Texas (Rogers Cablesystems)	221,894	(12/87)
5	East Orange, N.J. (Maclean Hunter)	203,117	(5/88)
6	Puget Sound, Wash. (Viacom)	203,000	(6/88)
7	Phoenix, Ariz. (Times Mirror)	200,000	(10/88)
8	Honolulu (ATC)	194,000	(3/88)
9	Houston (Warner)	189,104	(6/88)
10	Hartford/Plainville/Vernon, Conn. (United)	172,289	(5/88)
11	Chicago suburbs (Continental)	168,000	(4/88)
12	Wayne, N.J. (UA Cablesystems)	166,241	(6/88)
13	Louisville/Jeff County, Ky. (Storer)	163,722	(5/88)
14	Rochester, N.Y. (ATC)	163,000	(10/88)
15	Englewood, Colo. (United)	161,002	(5/88)
16	Cincinnati (Warner)	158,929	(5/88)
17	Hampton Roads, Va. (Cox Cable)	158,003	(3/88)
18	Fairfax, Va. (Media General)	157,000	(11/88)
19	Atlanta (Prime Cable)	153,557	(3/88)
20	Tulsa, Okla. (United)	153,454	(12/88)
21	Jacksonville, Fla. (Continental Cablevision)	153,000	(4/88)
22	Connecticut Complex (Cablevision Systems)	151,757	(12/88)
23	Cherry Hill, N.J. (NYT)	145,075	(7/87)
24	Orlando, Fla. (ATC)	143,500	(6/87)
25	San Jose/Campbell, Calif. (Heritage)	137,962	(8/88)

Source: Cabletelevision Advertising Bureau.

Cable cacophony grows louder

Advertising Age surveys Top 10 cable networks and finds that as programming budgets increase and original offerings replace early cable fodder, ad dollars follow





Nickelodeon

	($ in millions)
1989 estimated gross advertising revenues	$42.0
1988 gross advertising revenues	35.0
1987 gross advertising revenues	22.8
1989 estimated programming expenses	40.0
1988 programming expenses	35.0
1987 programming expenses	22.9

New shows for 1989: Nickelodeon Total Panic; Eureka's Castle; Hey Dude; On the Television; Think Fast
Percent of shows that are original programming: 50%

	($ in millions)
19.. timated gross advertising revenues	$27.2
1988 gross advertising revenues	0.6
1989 estimated programming expenses	51.0
1988 programming expenses	10.0

Rank	Top show	Cable TV HH (000)
1	**Movie: Gone With the Wind**	340
2	**Bugs Bunny & Pals**	300
3	**Movie: Nightbreaker (tie)**	290
	Bugs Bunny & Pals	290
4	**Bugs Bunny & Pals**	270

New shows and specials for 1989: Margaret Bourke-White; Gore Vidal's Billy the Kid; Hanna Barbera's 50th Anniversary Special; Deception (working title); The Nightmare Years; Butter Battle Book; Gary Cooper: American Life; American Legend; Cold Sassy Tree
One special per month in 1988, two specials per month in 1989
Percent of shows that are original programming: NA

CBN Family Channel

	($ in millions)
1989 estimated gross advertising revenues	$68.6
1988 gross advertising revenues	55.3
1987 gross advertising revenues	49.4
1989 estimated programming expenses	42.6
1988 programming expenses	33.0
1987 programming expenses	21.0

Rank	Top show	Cable TV HH (000)	Rating
1	**Gunsmoke**	1,400	2.5
2	**Wagon Train**	950	2.3
3	**Big Valley**	950	2.3
4	**Bonanza**	820	1.9
5	**Our House**	730	1.7

New shows and specials for 1989: Mother's Day; Father Still Knows Best; July 4th Special (not yet titled); Earthly Reasons; new episodes of Gerbert; also, 26 hours per week of children's programming via CBN and DIC
Percent of shows that are original programmi... 30% to 50% by 1991

Lifetime

	($ in millions)
1989 estimated gross advertising revenues	$85.3
1988 gross advertising revenues	68.2
1987 gross advertising revenues	44.1
1989 estimated programming expenses	56.5
1988 programming expenses	41.0
1987 programming expenses	27.8

Rank	Top show	Cable TV HH (000)	Rating
1	**Ryan's Four**	1,223	3.1
2	**Double Take**	1,140	2.9
3	**Lady Blue: The Pilot**	1,152	2.8
4	**Nurse (tie)**	1,090	2.7
	Double Take	1,060	2.7
	The Brady Girls Get Married	954	2.7

New shows for 1989: The Days and Nights of Molly Dodd; Esquire: About Men, For Women; Postpartum: Beyond the Blues; Against Her Will; Hush Little Baby: The Challenge of Child Care; What Every Baby Knows; Spenser for Hire; Food a la Floyd; Everyday Workout
Percent of shows that are original programming: 50%

TNN

	($ in millions)
1989 estimated gross advertising revenues	$83.5
1988 gross advertising revenues	72.5
1987 gross advertising revenues	49.0
1989 estimated programming expenses	63.0
1988 programming expenses	51.0
1987 programming expenses	35.0

Rank	Top show	Cable TV HH (000)	Rating
1	**Inside Winston Cup Racing**	1,200	2.7
2	**Bass Masters**	1,170	2.7
3	**Country Kitchen**	1,050	2.4
4	**Nashville Now**	920	2.1
5	**In-Fisherman, Angling Adventures**	900	2.1

New shows for 1989: Classic Rock with Wolfman Jack; Truckin' USA; Top Card
Specials: Nashville Beat; U.S. Olympic Festival '89 Opening Ceremonies; TNN Viewers' Choice Awards; Roy Clark's Friendship Tour: USSR; Marie Osmond at Church Street Station; Nashville Now; Funny Business with Charlie Chase; The Country Comedy Hour; Merle Haggard on Track; Celebrities Offstage; USO Celebrity Tour: Steven Warner and Holly Dunn; Ricky Skaggs; Loretta Lynn
Percent of shows that are original programming: 100%

Sources: Cable TV households and ratings: Nielsen; advertising revenues and programming expenses: Paul Kagan Associates.

USA Network

($ in millions)

1989 estimated gross advertising revenues	**$137.0**
1988 gross advertising revenues	**109.6**
1987 gross advertising revenues	**80.0**
1989 estimated programming expenses	**113.0**
1988 programming expenses	**86.0**
1987 programming expenses	**62.0**

Rank	Top show	Cable TV HH (000)	Rating
1	**Prime Time Wrestling**	1,330	3.0
2	**All-American Wrestling**	1,260	2.8
3	**Murder, She Wrote (tie)**	1,230	2.7
3	**She-Ra**	1,230	2.7
5	**Miami Vice**	1,160	2.5

New shows for 1989: The Forgotten; The Haunting of Sara Hardy; Camp Midnite; American Bandstand; The Hitchhiker; USA's Up All Night; My Sister Sam; The Ryder Cup; Murder She Wrote; Miami Vice
Percent of shows that are original programming: 40%

MTV:Music Television

($ in millions)

1989 estimated gross advertising revenues	**$93.0**
1988 gross advertising revenues	**80.0**
1987 gross advertising revenues	**77.3**
1989 estimated programming expenses	**55.0**
1988 programming expenses	**42.5**
1987 programming expenses	**42.1**

New shows for 1989: Rock 'n' Roll Soap Opera; Buzz; Prime Time Interactive Video Show; Just Say Julie
Percent of shows that are original programming: 12.5%

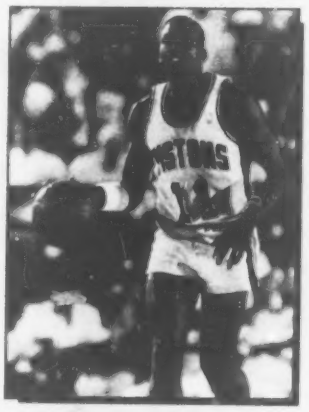
TBS

($ in millions)

1989 estimated gross advertising revenues	**$244.1**
1988 gross advertising revenues	**230.5**
1987 gross advertising revenues	**207.3**
1989 estimated programming expenses	**115.0**
1988 programming expenses	**100.0**
1987 programming expenses	**100.0**

Rank	Top show	Cable TV HH (000)	Rating
1	**NBA Playoffs, Detroit vs. Boston**	3,980	8.8
2	**NBA Playoffs, Detroit vs. Boston**	3,639	8.1
3	**NBA All-Star Saturday**	3,308	7.5
4	**NBA Playoffs, Detroit vs. Boston**	3,190	7.1
5	**NBA Playoffs, Boston vs. Atlanta**	3,082	6.8

New shows for 1989: Superstars and their Moms; Special Olympics; National Geographic/Audubon/Jacques Cousteau
Percent of shows that are original programming: 25%



ESPN

($ in millions)

1989 estimated gross advertising revenues	**$173.5**
1988 gross advertising revenues	**147.0**
1987 gross advertising revenues	**125.0**
1989 estimated programming expenses	**155.0**
1988 programming expenses	**140.0**
1987 programming expenses	**118.0**

Rank	Top show (All NFL football games)	Cable TV HH (000)	Rating
1	**(11/27), Giants at New Orleans**	5,300	10.6
2	**(12/18), Rams at San Francisco**	5,040	10.1
3	**(12/12), Steelers at Houston**	5,000	10.0
4	**(10/30), Redskins at Houston**	4,600	9.3
5	**(11/20) & (12/11) tie, Patriots/Miami**	4,400	8.8

New shows for 1989: Crooked Creek; Jim Hustons' Outdoors; Sportsman's Challenge; Home Run Derby; The Guinness Records World of Sports; Peak Performances; Houston Chronicle Indoor Games; Play Ball with Reggie Jackson; The Gamesman; Boating World; Thursday Night Thunder (motorsports); Hot Summer Nights (new segment, Day at the Beach)
Percent of shows that are original programming: 50.2%

CNN Headline News

($ in millions)

1989 estimated gross advertising revenues	**$164.5**
1988 gross advertising revenues	**143.0**
1987 gross advertising revenues	**110.0**
1989 estimated programming expenses	**125.0**
1988 programming expenses	**115.0**
1987 programming expenses	**105.0**

Rank	Top show	Cable TV HH (000)	Rating
1	**Post-Debate**	1,860	3.9
2	**Larry King Live**	1,540	3.0
3	**Live, Kennedy Space Center**	1,425	3.0
4	**News Update, 9 a.m.**	1,415	2.9
5	**Larry King Live**	1,327	2.8

New shows for 1989: NA
Percent of shows that are original programming: 100%

Sources: Cable TV households and ratings: Nielsen; advertising revenues and programming expenses: Paul Kagan Associates.

Cable networks turn publishers

Advertiser tie-ins, better contact with viewers for marketing, promotion efforts trigger a cottage industry

By Mark Watanabe

With wired-home penetration levels at an all-time high and still climbing, aggressive cable networks are digging a bigger niche.

Although the industry is far from tapped out in terms of attracting ad dollars and subscribers, the networks already are considering new sources of revenue. They have turned to publishing in their search, viewing it as a vehicle for providing not only new marketing and promotional avenues, but offering advertisers cross-media opportunities and providing viewers with more services and information.

Six national cable networks are planning or recently have made significant moves into the print arena.

"In some cases they're doing it to address some marketing needs," says William Ketcham, senior VP-network marketing at ESPN, which recently launched *TV Sports*. "In other cases they may be doing it as an extension of their business; in other cases it may be both."

According to David Lerner, VP-broadcast supervisor, FCB/Leber Katz Partners, these publications are coming out of vertically programmed networks.

"You're not seeing the broadbased ones like Turner or USA doing something like this. [The new publications] are reaching a lifestyle segment," he says.

ESPN has captured attention with *TV Sports*, distributed through major metropolitan newspapers, and The Nashville Network is teaming with publishing giant Meredith Corp. to introduce *Country America* in October.

The Discovery Channel is building on its successful *TDC*, incorporating touches of *Smithsonian* and *National Geographic* into the publication. Arts & Entertainment also is transforming its *A&E Program Guide* in June, changing it from a simple digest-size program guide into a standard-size, four-color magazine.

Two networks are incorporating distribution twists into their publications. Movietime is hitting movie theaters around the country with copies of *Movies USA*. And MTV: Music Television is sending its new *MTV To Go* to members of its newly formed MTV Record Club.

Include other titles such as *C-SPAN Update* and *The Disney Channel Magazine*, and a new publishing category is emerging.

The attraction for TNN is in offering advertisers cross-media opportunities. In addition to the cable network and the magazine, TNN established a radio network in December with 35 stations. Through Meredith, TNN hopes to sell advertisers such as General Mills and General Motors Corp. on the advantages of multimedia buys.

"We can offer the advertiser the opportunity to reach the same person through three different media," says Lloyd Werner, senior VP-sales and marketing at TNN owner Group W Satellite Communications. "The assumption has to be made that advertisers on the network would be interested in print."

Cross-promotions have value as "an added perk . . . when they offer to toss in a full page somewhere," says Mr. Lerner. However, "when you're negotiating it's not going to be a major point. It's a nice thing to have but it's not going to make or break a deal."

Advertising currently is run at no cost in the *A&E Program Guide*. A&E offers advertisers a package that includes print space if they buy time on the network.

That policy will continue after the publication is reformulated. If the guide continues to grow, it may become an "advertiser-supported vehicle," says Ron Schneier, A&E director-research and consumer marketing.

MTV's *MTV To Go* is the result of a promotional scheme. The monthly publication, scheduled to be introduced in May, is a premium offered to those who join the newly launched MTV Record Club—a venture controlled by the Bertelsmann Marketing Group.

"One of the goals of MTV as a vehicle is to come up with a range of ways we can work with advertisers," says Harriet Seitler, VP-marketing, MTV. The record club, she says, will join on-air spots, contests and other promotions for advertisers to tap the young-adult market.

Mr. Schneier urges networks to approach the publishing business cautiously.

"If everyone gets in this game and all of a sudden you have 10 ad-supported networks with magazines, then, yes, it's going to get saturated," he says.

"No way is there room for everyone." □

Mark Watanabe is a Seattle-based free-lance writer.

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A&E

Arts & Entertainment's program guide will be revamped in June. It will adopt a four-color format, move up to 8½ by 11, and add more editorial coverage of programming.

"We've recognized in the past year that the need [to redesign] is much greater than we realized," says Ron Schneier, director-research and consumer marketing. A 1988 study showed readers wanted more information concerning A&E programming.

Editorial plans call for more detailed articles. The June issue, for instance, features a story on "All Creatures Great and Small," an A&E co-production scheduled for the month.

A&E plans to step up its marketing to reach 150,000 paid subscribers within two years, up from the current 20,000.

Subscription rates are $18 a year, but Mr. Schneier expects it to be reduced to possibly $14 during the subscription drive.

TNN

The idea behind The Nashville Network's publication, which will launch in October as *Country America*, started more than two years ago. Executives at Group W, which owns TNN, were seeking ways to expand their business at the same time that Meredith Corp. was considering a country-oriented magazine.

"Meredith saw the market as much bigger than we had thought," says Lloyd Werner, senior VP-sales and marketing, Group W Satellite Communications. "They saw the magazine as something that would be more style of life than just cable-programming oriented."

For Meredith, putting in the TNN program guide and including country music "broadened [the concept] just enough to make it exciting," says Danita Allen, editor of *Country America*.

Focus groups showed a substantial identification with a "country way of life"—country as a place in the mind as well as a point on the map. Stories will focus on lifestyle more than music and emphasize service and personalities. The magazine will include a 16-page TNN program guide.

Plans call for an initial circulation of 400,000 with a cover price of $1.95 and subscriptions at $14.97 for 10 issues. As managing partner, Meredith will sell ad space—$12,000 for a color page; $8,400 for b&w—and control editorial content.

DISCOVERY

The Discovery Channel's *TDC* has a distinctive magazine feel. Running about 70 pages per issue, the monthly four-color magazine carries art photos and features related to programming.

TDC plans to improve editorial coverage by adding pages and featuring noted authors. In addition, the network has hired a business manager to examine increasing the publication's paid circulation beyond the current 150,000.

The magazine started in 1986 as a network programming guide. *TDC* discovered a loyal readership willing to dish out $11.95 a year.

"The magazine helps pull people to Discovery," says Greg Moyer, senior VP-programming, The Discovery Channel.

TDC carries about 80 pages of ads a year—at $5,000 for a color page. Advertisers come from the network's on-air roster including Chrysler Corp., GTE Corp. and Eastman Kodak Co.

MOVIETIME

Movietime and Atlanta-based Enterex Industries, publisher of *Movies USA* share editorial content, promote each other and offer advertisers cooperative buys.

Movietime, focusing on the entertainment industry, is heading straight to the movie theater with *Movies USA*. The publication, introduced in March, is being distributed at theaters across the U.S., and offered free to moviegoers.

The magazine's initial press run was 1 million copies. Plans call for the publication to include a program guide for Movietime and for viewers to be offered subscriptions to the magazine.

ESPN

ESPN's monthly *TV Sports* was introduced in December and is distributed as a newspaper insert in 14 markets.

Circulation stands at 2.1 million and will remain at that level "until we really get it on its feet and it's embraced by the advertising community," says William Ketcham, senior VP-network marketing at ESPN.

The publication, a joint venture with Crosby Vandenburgh Group, Boston, hopes to attract TV sports viewers seeking a single source of listings. "The idea is to make the magazine the most convenient guide for the sports viewer to what's on television," says Mr. Ketcham. Also, short editorial features focus on personalities and events.

The 32-page magazine carries listings of sporting events carried by ESPN and the broadcast and other cable networks.

The magazine runs eight to 10 pages of advertising per issue—rates are $30,000 for a color page; $21,000 for b&w page.

Selling ads has been a bit of a tough sale. "We feel there's a lot of interest out there, but it just hasn't quite hit with advertisers," Mr. Ketcham says.

The magazine faces the same problem as other controlled circulation publications: skepticism over readership of a free magazine.

Mr. Ketcham believes a recent readership survey will win over advertisers. The magazine reportedly is projecting $5 million in ad revenue for the first year.

MTV

Executives at MTV Networks believe no existing record club really targets MTV's young-adult audience. This thinking provided the idea behind MTV Record Club, which began in March under the control of Bertelsmann Marketing Group.

"Over the history of MTV, we've really invested heavily in the MTV trademark as being the *Good Housekeeping* seal of approval for young adults," says Robert Friedman, MTV Networks' senior VP-marketing and promotions. "We asked ourselves, 'Doesn't it make sense to take this logo and put it on a record club?' "

Club members will receive *MTV To Go*, which will offer editorial features, MTV-related merchandise, records and CDs. The magazine is projected to have 10 pages of advertising.

Editorial will be tied closely with current MTV fare. For example, the magazine will carry a section called "Addicted to Style," patterned after an MTV show of the same name.

Mr. Friedman says MTV expects to have 1.5 million subscriptions after three years. Record Club subscribers currently pay $14.95 annually.

Johnson broadens the range for BET

Force behind cable's channel for blacks spending anew to attract more marketers

By Scott Donaton

Robert Johnson isn't hedging his BET. The founder-president of Black Entertainment Television is preparing to crack the ranks of the top five basic cable services.

Mr. Johnson, 42, wants "to build a business that would be the major distributor of black programming. I want BET to be the media that advertisers turn to for targeting black consumers."

Media directors agree the network has potential. But they also say BET must increase its stake in producing original programming that targets a greater range of black viewers.

Ten years ago, after a three-year sojourn as VP-government relations for the National Cable Television Association, Mr. Johnson recognized the opportunity to build a force in the underserved black media and launched BET. Although majority stockholder, Mr. Johnson's effort was backed by Tele-Communications Inc., Home Box Office and Great American Broadcasting.

Robert Johnson is building BET into a "voice for black America."

Profitable since 1985, but in need of resources to fund essential new programming, BET recently enlisted the aid of cable operators who agreed to a per-subscriber fee increase beginning every January for five years.

The monthly fee will increase to 5¢ in 1989, 6¢ in 1990, and continue to go up 1¢ per year to 10¢ in 1994, which could bring BET an additional $30 million-plus in revenue over five years.

Estimated BET revenues in 1988 reached $12 million, up from $9.1 million in 1987, according to Paul Kagan Associates. Mr. Johnson anticipates a 25% increase in 1989. "The additional revenue will go toward improving the quality of our programming," he says.

BET will devote $10 million to developing new shows this year, that figure will jump to $15 million in 1990, and yearly increases are expected to reach "upwards of $60 million by 1992," according to Mr. Johnson.

BET is building a $10 million studio in Washington, which will open this month, to produce and distribute new programming, Mr. Johnson says.

The network, which airs mostly music videos, movies and college sports, currently produces about 80% of its programs. "That's a good number but we've got to balance out what we do in music videos with what we do in other areas of programming," says Mr. Johnson.

Too many BET programs are targeted to young audiences, says Deborah Thomas, media director of Mingo Group, New York. The only shows targeting an older audience are the nightly news program and "Going Places," a new travelogue, she says.

The cable network has several new black-oriented shows in development or on the air, including: "Teen Summit," a talk show for teens; "Personal Diary," featuring interviews with black celebrities; "On Stage," a series of one-act plays on historical personalities; a stand-up comedy show, and several news and public-affairs programs.

"I see BET becoming a stronger medium if they can increase their penetration and improve their range of programming," says Ms. Thomas.

"It's a highly efficient way of reaching blacks."

BET, currently ranked 19th with 20.7 million subscribers according to the National Cable Television Association, is expecting at least two million new households each year, with a total of 30 million homes by 1993.

Mr. Johnson says BET's penetration into new markets slowed in recent years because some cable operators did not understand the network.

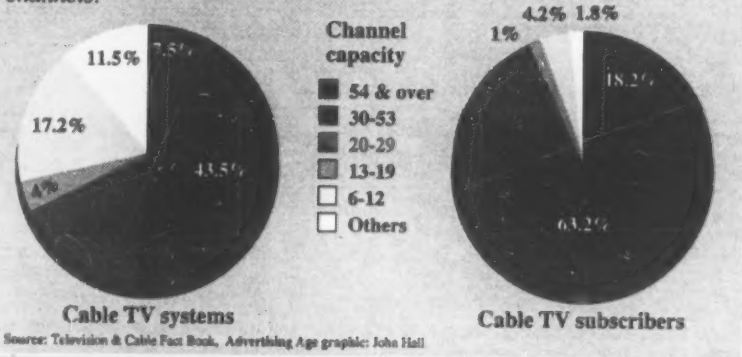
He expects continued wiring of urban areas —such as Baltimore, Chicago and New York— to partly fuel future growth.

"The most important thing BET has done is given greater emphasis to television as a tool

(Continued on Page S-32)

Systems channel energies to offer more to subscribers

The overwhelming majority of cable TV subscribers (63.2%) receive 30-53 cable channels; whereas 43.5% of cable systems provide 30-53 channels.



Source: Television & Cable Fact Book, Advertising Age graphic: John Hall

Systems hang out 'No vacancy' sign

More operators ask: 'Why should I carry you?'

By David Arnold

"NBC is saying that CNBC will be the last introduction of a major new cable network," says Bart McHugh, DDB Needham Worldwide VP-director of national radio & TV programming.

"I've heard that claim before, but the fact is a lot of systems are close to having to upgrade their equipment and that will increase the average number of channels you can get."

"The cable operator's initial reaction to any new service is there's no channel capacity," says Caroline Vanderlip, CNBC's VP for affiliate relations.

"But where there is a concept that they believe in, a concept that they think will actually broaden their base and enhance the value of cable, they'll take another look at their channel capacity," she says.

The pressure on existing channel capacity is apparent. Cable operators who want new networks such as CNBC may have to reduce or drop the travel channel, home shopping or FNN.

"TNT caused USA Network some problems," Mr. McHugh says, "and USA has lost a couple of systems. But that kind of competition will never end."

"The cable operator needs to make a judgment at that point about the demographics of his marketplace, the appeal of certain programming," Ms. Vanderlip says, "... and I would imagine it would be different in almost all systems." The competition for a niche is likely to heat up.

The cost of a new channel is almost prohibitive, says David Verklin, VP-media director, Hal Riney & Partners, Los Angeles. "It's getting economically more difficult to establish a new cable channel and the chances are getting slimmer because of

(Continued on Page 32)

David Arnold is an Oregon-based freelance writer.

Nostalgia with a twist

By Wayne Walley

"Our reruns are better than theirs."

This is the credo of Nick at Nite, the nighttime companion cable service to MTV Networks' Nickelodeon.

The funny part is a number of viewers, which the network dubs "The TV Generation," seem to agree. Armed with black-and-white series of yesteryear, mixed in with a few older comedies in color, the channel, programmed by Debby Beece, has become something of a cult favorite.

Since its launch in July 1985, Nick at Nite has steadily caught on and now reaches 45.5% of U.S. TV households. According to the channel, it earned a 0.5 rating during the first quarter this year, a 25% increase over the same time last year.

But the Nick at Nite lineup, originally syndication cast-offs such as "Mr. Ed," "The Donna Reed Show," "My Three Sons" and "Route 66," is not a new phenomenon. In the late 1970s many new independent over-the-air stations depended on older, often syndicated black-and-white shows to fill programming voids.

What is new is the way Nick at Nite treats its product.

"We treat the shows with reverence," says Debby Beece.

"The thing that's different for us is the environment and the positioning of the shows," says Ms. Beece, senior VP-programming for Nickelodeon/Nick at Nite. "We're not just throwing them up and slugging in commercials. We do stunts. We treat the shows with reverence. Viewers respond to that very emotionally," she says.

"Nick at Nite becomes a home base for people. When the pay services don't have a movie they want to watch or they don't like what's on the broadcast networks, they turn to us."

The channel, however, was not originally conceived as classic TV. Ms. Beece says the decision to program the older series was borne out of necessity, not creativity.

"We needed to do something fast to expand Nickelodeon to 24 hours," she says. "We had already stumbled across a way to treat classic programming ... when we put 'Lassie' on Nickelodeon. People said, 'You can't run that. It's been beaten to death. It's black-and-white.' We ran it and parents were watching it with their kids. We found a package of old shows and decided to try it."

"SCTV"—which helped develop a number of big names in comedy—remains a cult favorite on Nick at Nite.

Ms. Beece, who first joined Warner Amex Satellite Entertainment Co. 10 years ago, became the secretary to the programming director and eventually was promoted to other promotion and programming positions at Nickelodeon.

"The Nickelodeon staff, for the sake of expediency, took over on Nick at Nite and did the first batch of shows. I scheduled it, it took off, and they said, 'Let them do it.' That's how it happened," she says.

Today the Nick at Nite stable of series includes "The Ann Sothern Show," "Lancelot Link," "Smothers Brothers," "Car 54, Where Are You?" "Laugh-In," "Make Room For Daddy," "Saturday Night Live," "The Patty Duke Show" and "Second City Television Network" in addition to the aforementioned "Mr. Ed," "The Donna Reed Show" and "My Three Sons."

"We treat the shows reverentially, but with humor in our promotional packaging," Ms. Beece says.

"Everyone recognizes the shows. We grew up with them. The idea, then, is to have a whimsical look at life with a semi-nostalgic twist. That's the trademark of Nick of Nite."

In addition to running off-the-wall promotions—for example, one based on a fake survey showing a majority of viewers believe Steve Douglas, the patriarch of "My Three Sons," is their father—the network has created sponsored, show-specific skits such as a week-long series of commercials entitled, "How to be Donna Reed." The only problem for the network is that success breeds imitators and more competitors, making it more difficult to land the old series Ms. Beece wants.

"We made a conscious decision to go after TV comedies, and it's a limited pool to choose from. So we decided to have a 90-minute block of skit comedies. But we will premiere 'Green Acres' in the fall."

The next step, Ms. Beece says, will be to mix original programs in with the old to help rekindle interest.

The addition of "Looney Tunes" at 7:30 p.m. (ET), Ms. Beece says, has helped improve the performance of "Mr. Ed" at 8 p.m. and "The Patty Duke Show" at 8:30 p.m.

One of Nickelodeon's first attempts to do original programming, "On The Television," debuted April Fools Day and could become a regular series if it does well.

Other spoofs, including a take-off on tabloid shows titled "Pretty Shocking Mysteries," an untitled send-up of awards shows, two new game shows and a late-night entry, are being developed.

"The idea is to treat the world as insane. We don't try to make sense," Ms. Beece says. That may be just what the TV generation wants. □

Duvall finds the magic touch

Actress thinks big, builds major new programming venue for cable

By Janice Steinberg

Her voice, tinged with a Texas accent, is soft and almost childlike—and racing 50 miles a minute.

Shelley Duvall, actress-turned-cable maven, has a lot to talk about when the subject is the programming coming out of Think Entertainment. She founded the production company in January 1988, with backing from several major multiple system operators, including United Cable, Tele-Communications Inc., United Artists Communications and Newhouse Broadcasting.

She has made a name for herself as a pioneer of original cable programming. Her "Faerie Tale Theatre" and "Shelley Duvall's Tall Tales and Legends" are both award-winners. The company's first cable product, a horror series entitled "Nightmare Classics," is scheduled to premiere on Showtime in July.

Think also is developing a movie/series pilot for HBO, a series for Lifetime, two films for Disney, a children's series for Nickelodeon, and two movies for Ted Turner's new TNT. Ms. Duvall also is negotiating with HBO to produce a history series for children.

The interest in Think projects throughout the cable network universe is a tribute to Ms. Duvall's reputation. She says it also reflects a significant trend in the industry.

"As the economics of cable improve, you'll see more and more original programming," Ms. Duvall says.

"When you form a new channel, all you can afford is acquisitions—second or third runs of other programming," she says. "You can only survive for so long on reruns. I think the syndication market is feeling that. That's why they got into the business of putting some original programming on their stations."

Many cable channels have significantly increased their outlays for original programming, Ms. Duvall says. "Some channels are almost doubling the amounts they had to spend in the previous year," she says. "I think you're going to see that trend continuing, particularly over the next five years."

Shelley Duvall sees advertisers teaming up with individual series and programs at an earlier stage.

In addition to more original programming, Ms. Duvall believes advertisers will be teaming up with individual series and programs at an earlier stage, reflecting company interest in cable's ability to target audiences.

This does not pose a problem with creative control, she says, adding it represents advertisers' attempts to be more selective about programming that represents their products.

Pioneers from the network and syndication arenas are now coming to cable because they view it as a growth industry, says Ms. Duvall. For example, Lance Taylor joined Think as VP-creative affairs this March. Most recently VP of Coke Telecommunications, Mr. Taylor also held various positions at ABC.

Ms. Duvall also says cable offers opportunities to deal with one of Hollywood's biggest problems: how to produce programs more cost effectively. "There are many ways that have opened up, a lot because of cable, [such as] opportunities in Europe, foreign co-ventures and productions around the U.S."

One major opportunity that had died over the years, she says, is the opportunity to see an idea realized in a much shorter time span and with less aggravation on the creative side. "Cable offers much more creative freedom to producers for original programming." □

Janice Steinberg is a free-lance writer and a frequent contributor to Special Report.

'No vacancy'

(Continued from Page S-31)

the incredible cost to program, produce, sell and sustain a cable network," says Mr. Verklin.

"I think the cable operator is saying, 'Why should I carry your network?' " says Mr. Verklin.

Cable systems generally pay networks for programs, Mr. McHugh says. But as recently as seven years ago when cable began its push for penetration and subscribers, some networks gave away programming. Others such as Ted Turner's four networks sometimes reduce fees to customers adding a third or fourth Turner network, he says.

Recently new networks have offered cable operators rebates of up to 20% to sign on early. "They do that but they don't talk about it," Mr. McHugh says.

"Mainly it's because the operators haven't seen an idea they are really high on," says Mr. Verklin.

The Movietime Channel, launched only 20 months ago, reached 4 million subscribers by January '88, and now has 12 million subscribers.

According to Movietime VP-Sales, Bill Zaccheo, "What's happening is the cable operator is now looking at programming as a broadcaster does"—cable operators need an overall package for their audience. When a network offers something, the cable operator asks, 'What does this product do for me?' "

Sixty national and 30 regional cable networks are scrambling to offer programming for more than 8,000 systems. About 59% of the more than 50 million TV households linked to those cable systems carry 20 to 53 channels.

Roughly 20% are on systems offering fewer than 20 channels, and 7.5% are riding the wave of the future—large, updated systems capable of carrying up to 120 channels.

New franchise agreements in many markets call for upgrades to state-of-the-art fiber-optic lines that can carry more channels.

National Cable Television Association points out the cable industry spent $1.4 billion on fiber-optic upgrades in 1988, but networks and advertisers are concerned about how long it will take for older cable systems to catch up.

The questions are when will the new channels open up, and whose programming will win the bidding wars to fill them? "We've got weather covered, and a channel of entertainment, black TV, Spanish TV, pay-per-view, no commercial interruptions, all-movie channels. What's not covered?" Mr. McHugh asks.

"[Viewers are] learning to read the program guides. They know where the programs are on the dials. When they're flipping, they'll know where to find them. That's already happened."

Skeptics depict a more selective viewing public. They say it does not matter how many channels you run into a household.

"You can only watch one program at a time," says Mr. Verklin, who believes the next battle in cable will be for such interactive services as banking and grocery shopping from home.

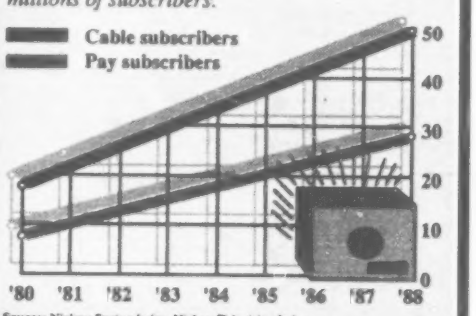
A major question in all of cable's technological and program growth remains how to get viewers' attention. Some networks worry that on-air promotions and viewing guides may not be enough.

"I don't know the answer," says Mr. Verklin. "But I don't sense the American consumer or the marketplace clamoring for more choices. It's going to take a blockbuster idea for the next CNN to be an advertising success."

"Anything can happen if the programs succeed," says Mr. McHugh. "Cable is program driven. That's what gets the audience, the ratings, and allows you to advertise." □

It's basic: Subscriptions soar

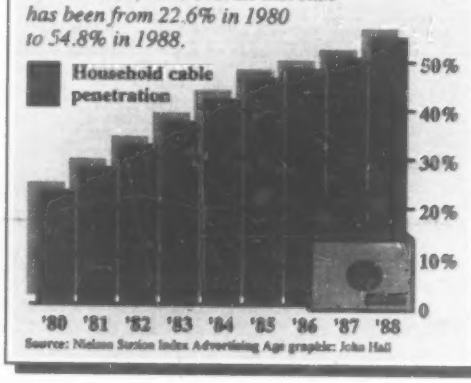
The number of cable subscribers increased to 49,538,000 in 1988 from 17,761,000 in 1980. Additionally, the number of pay subscribers has increased to 28,114,000 in 1988 from 7,599,000 in 1980. All figures below represent millions of subscribers.



Source: Nielsen Station Index, Nielsen Television Index
Advertising Age graphic: John Hall

Penetration pace picks up

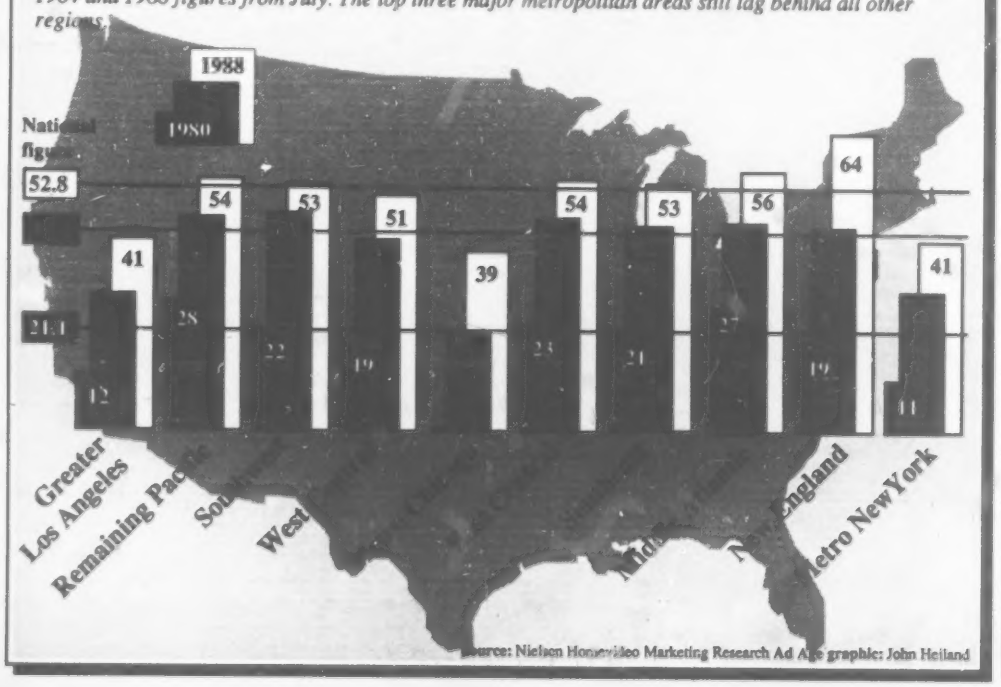
The rate of cable penetration growth has increased from 200,000 homes per month (Nov. '86-Nov.' 87) to 300,000 homes per month (Nov. '87-Nov. '88). The overall increase has been from 22.6% in 1980 to 54.8% in 1988.



Source: Nielsen Station Index Advertising Age graphic: John Hall

The great frontier: Big cities hold out

Penetration figures represent percent of TV households having cable. The 1980 figures are from May; 1984 and 1988 figures from July. The top three major metropolitan areas still lag behind all other regions.



Source: Nielsen Homevideo Marketing Research Ad Age graphic: John Heiland

BET

(Continued from Page S-31)

to reach black consumers," says Mr. Johnson.

The network approaches advertisers with a three-pronged pitch: Blacks watch more TV than any other group in the U.S.; blacks watch programming that features blacks in leading roles or reflects their cultural interests more than general interest programming; and that BET is the tool to reach black consumers.

Mr. Johnson has to deal with the power of urban contemporary radio in proving the last statement, however.

"Radio is still the primary media vehicle to reach blacks," says Ms. Thomas. "It is so target specific. I don't know if [BET] can surpass radio because of the local flexibility you have with black radio."

Key BET advertisers include: Amtrak, AT&T Co., Bristol-Myers, Campbell Soup Co., Coca-Cola Co., Ford Motor Co., General Foods, General Mills, General Motors Corp., Lever Bros., RJR/Nabisco Brands, Polaroid Corp., Procter & Gamble Co., Ralston Purina, Revlon Inc., Time Inc., United Airlines and Wm. Wrigley & Son.

Some advertisers now create spots aimed at the black market specifically for BET, Mr. Johnson says. "Essentially, we've laid the groundwork to become the information and entertainment voice for black America," Mr. Johnson says. "We are poised to become a major player in programming and marketing." □

Associate Editor Pat Gray Thomas coordinated this report on Cable TV.

Coming

On April 24, ADVERTISING AGE's Special Report will focus on **Retail Marketing.**

EC's 1992 plan fuels spending

(Continued from Page 4)

ing myself, forecast doom—and almost got boom," said Gawen Rudder, Mojo MDA Group's director of corporate affairs.

He attributed last year's growth to Australia's bicentennial celebrations and the Olympics.

Ad spending rose about 8% last year, and agency executives forecast a 12% increase for 1989.

Australia is "bouncing back as much of the Pacific will be growing at a rate that will eclipse much of everything else," said Norman Brown, chairman-ceo of Foote, Cone & Belding Communications, Chicago.

As Japanese consumer spending took off in 1988, so did ad spending, growing 12.3%. This year, growth is predicted to be 8.3%.

"I see no reason why the momentum that built up last year shouldn't continue. I think we will have a very good year indeed," said Katsuhiko Betsushima, strategic planning director at J. Walter Thompson Co. Japan.

Canada, South Africa

Canada, with "an economy unalterably tied to and geographically close to the U.S.," will see percentage gains resembling those in the U.S., Ayer's Mr. Maxey said. Canada experienced an estimated 5% growth in 1988 and expects 4% growth this year as more dollars shift toward sales promotion.

"Conventional media will have less growth in the short term. But in the long term, I believe the pendulum will swing back," said John Foss, president of the Association of Canadian Advertisers, Toronto.

In South Africa, after several years of declines, an estimated 11% growth in 1988 was welcome.

Peter de Klerk, executive director of the Association of Advertising Agencies, Johannesburg, said the boom was broadly based and mirrored the performance of the economy as a whole.

The group expects no real growth for this year.

Latin America

As usual, inflation and troubled economies cloud predictions for Brazil and Mexico.

Leda, the Brazilian unit of Nielsen Media Research Group, reported a 17% real increase in ad spending in 1988. Since Leda doesn't account for media discounts, other sources estimate a rise of as much as 10%.

Nevertheless, Brazil's predictions for this year are bleaker because of a new government-imposed wage and price freeze. While some sources said advertisers will increase spending to win over penny-pinching consumers, some advertisers have already halted spending for March and April.

Mexico is continuing its erratic ways.

"The Mexican Ad Agency Association's members' billings increased between 50% and 60% last year after inflation," said Ramon Calderon, association president and VP-financial director for J. Walter Thompson de Mexico.

"But many small advertisers stopped spending entirely during the second semester after the price/wage/parity freeze began to be felt. I'd say total ad spending growth in real terms was only 10% overall," he said.

This year, the freeze and the fall of the peso will hurt the Mexican ad industry, which expects a 20% drop in spending.#

AA's international network of correspondents contributed to this story.

Printers' art contest set

ARLINGTON, VA.—Entries are due by April 28 for the 1989 Printing Industries of America Graphic Arts Awards competition.

PIA President-CEO Ray Roper said printed material of any description, produced between March 1, 1988, and April 1, 1989, is eligible.

Entries will be judged on the basis of print quality, including technical excellence, design, art, typography and general layout.

Entry materials and additional details are available from Susan J. Wheeler, awards competition director, PIA, 1730 N. Lynn St., 22209. Phone: (703) 841-8192.#

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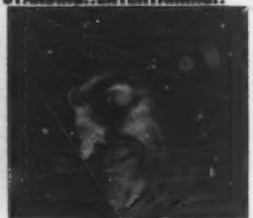

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—Dana Geiken, DMB & B

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—Merle Welch, Foote, Cone and Belding

We have become accustomed to the ease and reliability of receiving commercial spots via satellite. We are also impressed with the flexibility of the system in regard to getting refeeds and special feeds. We look forward to a long working relationship.

—Karl Hagnauer, KPLR

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—Robert Strutzel, WGN-TV

The quality and reliability of the hardware and software is outstanding. It's error free in its operation, and the speed with which we receive commercial feeds saves us make-goods and lost time.

—Jim Martin, WOAY-TV

If you still haven't joined the Cycle Sat network, check out the reception we're getting from people who have. Visit us at N.A.B. Booth 3184 and we'll tell you more. Or just give us a call at 1-800-622-1865.

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